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CIVILIAN WORKFORCE REQUIREMENTS—NOW AND ACROSS THE FUTURE YEARS DEFENSE PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON READINESS

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

HEARING HELD
JULY 26, 2012

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CIVILIAN WORKFORCE REQUIREMENTS—NOW AND ACROSS THE FUTURE YEARS DEFENSE PROGRAM

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON READINESS,
Washington, DC, Thursday, July 26, 2012.

The subcommittee met, pursuant to call, at 1:00 p.m., in room 2212, Rayburn House Office Building, Hon. J. Randy Forbes (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. J. RANDY FORBES, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, SUBCOMMITTEE ON READINESS

Mr. FORBES. I want to welcome all of our members and our distinguished witnesses to today's hearing that will focus on civilian workforce requirements now and across the future years' defense program.

I particularly want to thank our witnesses for their patience during this series of votes, and we apologize to you for the delay.

The civilian workforce provides an invaluable contribution to the DOD [Department of Defense] mission, both at home and abroad, frequently deploying to the combat zones alongside military and contractor personnel.

I welcome this discussion today and the opportunity to better understand how the Department of Defense is forecasting its future workforce requirements and balancing the critical skills required across all components of its workforce.

Additionally, I want to understand the impact of directed reductions.

Right now, there are two possible reductions that could negatively impact the civilian workforce in the short term: sequestration, and the proposed Senate NDAA [National Defense Authorization Act] language.

Let us start with the Senate committee-passed language that directs civilian and service contractor workforce reductions commensurate with military end-strength through fiscal year 2017, which would be expected to be in excess of 5 percent.

Based on the numbers provided in fiscal year 2013, simple math would suggest that more than 39,000 civilian full-time equivalents would be eliminated.

Next, we have sequestration. Nobody wants it to happen, most especially not me. But we have been talking about it for a while and it appears that there is little to no planning associated with this legislative mandate.

Assuming an exemption for military personnel, we calculate there would be an approximate 11.3 percent reduction across all other counts. Again, simple math would suggest that an additional 89,000 civilians would be eliminated.

When you add the two figures, we are talking about more than 128,000 people. And informally, some in the Pentagon have indicated that sequestration alone could be as high as a quarter of the total civilian workforce or almost 200,000 people.

The result of any such cuts, particularly without analytical underpinning, would be long-term irreversible damage to the workforce. And let us not forget the costs that would have to be calculated to implement, and the sunk cost from the first quarter of the year.

Fundamentally, I have opposed any effort without the necessary details that support the proposal.

In the case of the Senate reductions and the mindless implementation of sequestration, both appear to lack any basis in fact or reason. That is why I believe the more prudent approach to managing the civilian and contractor workforce is to assess the requirement and then to shape the workforce to meet those decisions.

I look forward to discussing all of these issues later in this hearing.

So where does that leave us?

Well, according to the statutory requirement in 10 U.S.C. 1597 [Title 10 United States Code 1597], any involuntary reductions in force require notification both to Congress and the employee. So if sequestration were to take effect in January, DOD would be required to notify us at the end of September.

In light of potential reductions, what generally concerns me is the Department of Defense is planning for its future workforce requirements and negotiating the appropriate balance among civilian contractor military personnel.

Since 2001, GAO [Government Accountability Office] has listed Federal human capital management as a government-wide high-risk area because of the need to address current and emerging critical skill gaps that are undermining agencies' abilities to meet their vital missions.

And we know that approximately 30 percent of the DOD workforce and 90 percent of its senior leaders, are eligible for retirement as early as 2015.

I look forward to hearing about what analysis DOD has undertaken to identify and document critical skills and competencies required in each component of the workforce, particularly should directed reductions occur, and what recommendations GAO has for that DOD process.

We were also recently notified that the Department just extended its civilian personnel cap through fiscal year 2018.

Does that presume that budget is driving DOD workforce requirements or vice versa?

And I look forward to clarification of how this cap is not in direct contradiction to the statutory requirement set forth in 10 U.S.C. 129 [Title 10 United States Code 129], which clearly precludes any constraint or limitation in terms of maximum number of employees.

We, in Congress, and namely this subcommittee have exercised great oversight of civilian workforce issues to ensure DOD best plans for its requirements.

Total force management in particular directs a holistic perspective of workforce requirements across civilian, military, and contractor personnel. However, I am not convinced that we even have perfect knowledge into our civilian requirements.

I look forward to our discussions today and delving into these topics further. We need to exercise appropriate oversight of the process to ensure that sequestration, or other reductions, do not blindside our workforce. They deserve to know what lies ahead and it is our job to ensure the public is informed.

Joining us today to discuss the DOD civilian workforce are two distinguished witnesses: Mr. Frederick Vollrath, Principal Deputy Assistant Secretary of Defense for Readiness and Force Management at the Department of Defense; and Ms. Brenda Farrell, Director of Defense Capabilities and Management at the U.S. Government Accountability Office.

We thank you both for being here. We are looking forward to your testimony.

I would now like to recognize my friend, the ranking member, Ms. Bordallo, for any remarks she may have.

[The prepared statement of Mr. Forbes can be found in the Appendix on page 37.]

STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE FROM GUAM, RANKING MEMBER, SUBCOMMITTEE ON READINESS

Ms. BORDALLO. Thank you very much, Mr. Chairman.

And I welcome our witnesses today. And we appreciate your testimony before the subcommittee.

The Department of Defense——

Testing.

The Department of Defense civilian personnel workforce provides a critical support to our warfighters. The civilian workforce is essential to making our country's military so effective.

The civilian workforce provides experience. They provide expertise and continuity. I personally value continuity of staff within programs and offices at DOD.

I cannot emphasize enough how important the civilian workforce is to our Nation's defense.

Management of the civilian workforce is especially important in an era of austere budgets. Strategic human capital management is slowly evolving in the Department of Defense, but too slowly, in my opinion.

Congress has made it very clear that we want requirements-based management of the total force to include military, civilian, and contractor personnel. In fact, the National Defense Authorization Act for Fiscal Year 2006 called for DOD to develop a strategic plan for managing its civilian workforce to include analysis of any gaps in capability.

As late as last year in the fiscal year 2012 NDAA, Congress further refined the requirements of this report to provide guidance for DOD in regard to total force management.

The most current strategic workforce plan was submitted by DOD in March of this year. And GAO will complete its review of the most current plan by next month.

Congress has provided the DOD the statutory tools necessary to shape the workforce, but it is going to take continued leadership on this matter to make sure that it is done right.

Having clear requirements-based civilian personnel management in place avoids the pitfalls that come with arbitrarily cutting the workforce.

I appreciate that Ms. Farrell, in her testimony, highlighted the risks associated with the last civilian workforce downsizing. And that was in 1990.

Those cuts to personnel were void of any requirements-based decisions. And as such, DOD took significant risk with its civilian workforce, supporting certain capabilities.

This was never more evident than in the downsizing of the acquisition workforce and the problems that DOD faced with acquisitions during the middle of the wars in Iraq and Afghanistan.

In sequestration, cuts to civilian personnel would need to be requirements-based so that we don't assume more risks than is absolutely necessary. We know that the current budget situation will require the Department of Defense to downsize the civilian workforce. But this process must be rational and not arbitrary.

As such, I hope that our witnesses this afternoon will touch on the Senate's proposed language in their version of this year's Defense Authorization Bill that calls for arbitrary cuts to the civilian workforce and what impact or risk is associated with this approach.

I also hope that our witnesses can touch on the lessons learned from former Secretary Gates' efficiencies initiative, the impacts of which are still being felt in terms of caps on hiring and targeted civilian personnel reductions.

What has been learned from these initiatives and having those lessons being incorporated into the revised strategic workforce plan?

I am concerned that cuts to the civilian workforce have been focused on meeting budget targets rather than a comprehensive analysis of requirements and capabilities that need to be retained in DOD.

Finally, before we see any further arbitrary cuts in the civilian workforce, it is imperative that the Department of Defense provide Congress with the inventory of contractor services that are supporting the Department.

We need more information to make the difficult decisions that will be required with our current budget situation. Total force management is only successful when good planning, good information, and solid leadership are in place to manage human capital.

And again, I look forward to this discussion with our witnesses.

And I thank you, Mr. Chairman, for yielding this time.

Mr. FORBES. Thank you for those remarks, Madeleine.

And as we discussed prior to the hearing, I ask unanimous consent that it be made in order to depart from regular order, so that members may ask questions that follow the train of thought from the preceding member. I think this will provide a roundtable type

forum and will enhance the dialogue on these very important issues.

Without objection, that is so ordered.

Now, Mr. Vollrath, we would love to hear your opening comments.

STATEMENT OF FREDERICK E. VOLLRATH, PRINCIPAL DEPUTY ASSISTANT DEFENSE SECRETARY FOR READINESS AND FORCE MANAGEMENT, U.S DEPARTMENT OF DEFENSE

Mr. VOLLRATH. Thank you.

Good afternoon, Chairman Forbes, Ranking Member Bordallo, and other members of the subcommittee.

Mr. FORBES. Mr. Vollrath, you might want to put that microphone up a little closer. Sometimes they are a little finicky.

Thank you.

Mr. VOLLRATH. Thank you.

The civilian workforce must be addressed within the larger context, as you all have mentioned, of the Department's total force of the Active and Reserve military, the civilians and the contracted service.

As we look to the future we must continue to strive to achieve the most effective, efficient, and appropriate mix of our workforce.

The Department's current plans, reflected in the President's budget request for fiscal year 2013, represent a carefully coordinated approach that addresses operational needs, satisfies mission requirements and recognizes the fiscal constraints.

Our future plans require us to align capabilities and costs for all elements of the total force. As discussed in greater detail in my written statement, these elements cannot be managed in isolation if we are to avoid the hollow force and unnecessary expense.

Total force management is complex. It is a lifecycle process used to ensure the Department's capabilities are enabled by a mix of military, civilian, and contracted support to deliver the requisite readiness, while minimizing the costs.

During this period of constrained defense budgets, the Department must ensure that a sufficient number of Federal civilian personnel are available to meet the support needs of our military forces.

The Department must also prioritize and reduce less critical missions while we ensure that military and civilian personnel are performing all inherently governmental jobs, and that there are sufficient numbers to perform critical oversight, management, and readiness functions.

The Department sourcing decisions must be made on the basis of law, cost, policy, and risk. And we are committed to ensuring those decisions are made consistent with title 10 requirements regarding workforce management.

To achieve these objectives, we must ensure decisionmakers have access to relevant information and data. We must also have the flexibility and tools necessary to appropriately align workload and balance the Department's workforce.

In an effort to significantly reduce excess overhead costs and apply the savings to warfighting capability, force structure and modernization and readiness, the Department carried out a num-

ber of initiatives, beginning in fiscal year 2011, including directing components to maintain civilian personnel at fiscal year 2010 levels.

The fiscal year 2013 President's Budget Request reflects an objective and reasonable approach that decreases spending on all components of the total force. However, we recognize that we operate in a dynamic and changing environment, and therefore must retain the flexibility to adapt our workforce accordingly.

The current budget request continues to fund the civilian workforce at fiscal year 2010 levels, with some exceptions.

While we continue to deliver a flexible, responsive civilian workforce that mitigates risk and ensures continuity of operations; promotes the organic knowledge that we need to retain, and ensures mission requirements are met most cost-effectively and efficiently; given the strategic direction of the Department, the planned reductions among the uniformed force; and in order to meet the requirements of the Budget Control Act, the funding for civilian positions is currently planned to decline by approximately 2 percent over the next 5 fiscal years.

We continue to assess whether further reductions and realignment of civilian personnel can be made in the context of adjustments to the total force and the new defense strategy. And we will keep this subcommittee informed of the results.

The Department, however, is keenly aware that our civilian workforce is extremely talented and critical to success in meeting our strategic goals, performing key enabling functions for the operating force, and delivering vital services that support our uniformed men and women.

Changes in the civilian workforce must be done in a way that preserves mission-essential skills and abilities over the long term, and in a manner that enables us to recruit and retain the most talented individuals.

We also recognize the need to review and assess levels of contracted support in order to ensure appropriate and cost-effective utilization of such support.

Additionally, with the possibility of sequestration looming on the horizon, we cannot yet say precisely how bad the damage would be.

But as Secretary Panetta noted earlier this year, it is clear that sequestration could risk hollowing out our force and reducing military options available to the Nation.

In summary, the Department has programs in place to address our needs for an effective and appropriately resourced total force. We continue today to discuss GAO's observations on DOD's civilian personnel requirements.

DOD's Federal civilian workforce consists of approximately 783,000 personnel and performs a wide variety of duties, including cus on lifecycle management for the civilian workforce by integrating strategic workforce planning, competency management, and workforce professional development initiatives to ensure that plans support the development of a ready civilian workforce.

Mr. Chairman, this concludes my statement.

I thank you and the members of this subcommittee for the opportunity to address you and help work on the Nation's issues.

I stand by for your questions, sir.

[The prepared statement of Mr. Vollrath can be found in the Appendix on page 39.]

Mr. FORBES. Thank you, Mr. Vollrath.

Ms. Farrell.

STATEMENT OF BRENDA FARRELL, DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT, MILITARY AND DOD CIVILIAN PERSONNEL ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. FARRELL. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Bordallo, members of the subcommittee, thank you for the opportunity to be here today to discuss GAO's observations on DOD's civilian personnel requirements.

DOD's Federal civilian workforce consists of approximately 783,000 personnel, and performs a wide variety of duties, including some traditionally performed by military personnel.

In 2001, GAO placed strategic human capital management across the entire Federal Government on our high-risk list. And it remains there today.

We did so because of the longstanding lack of leadership in the area, and in part because critical skill gaps could undermine agencies' abilities to accomplish their missions.

With the long-term fiscal challenges facing the Nation, reductions to the civilian workforce may be considered to achieve cost savings. Human capital has remained a critical missing link in reforming and modernizing the Federal government's managing practices.

GAO has observed that the Federal Government has often acted as if people were costs to be cut, rather than assets to be valued.

My main message today is that strategic workforce planning is critical to help ensure that DOD has the right number of civilian personnel, with the right skills at the right time, to carry out their mission.

My statement today is based on GAO's reports issued from March 1992 through June 2012.

My written statement is divided into two parts. The first part addresses DOD's prior experience with civilian workforce downsizing.

DOD's prior efforts in the 1990s were not oriented towards shaping the make-up of the force, resulting in significant imbalances in terms of shape, skills, and retirement eligibility.

DOD's efforts in the 1990s to reduce its Federal civilian workforce levels below that of 1987 were hampered by incomplete data and a lack of a clear strategy for avoiding skill imbalances and other adverse effects of downsizing.

For example, DOD used incomplete and inconsistent data related to workers, workload data, and projected force reductions. Further, DOD's approaches had unintended consequences.

The use of voluntary attrition, hiring freezes, and financial separation incentives mitigated some adverse effects of workforce reductions, but were less oriented towards shaping the makeup of the civilian workforce.

For DOD, this was especially true of its acquisition workforce. DOD was put on the verge of a retirement-driven talent drain in

this workforce after 11 consecutive years of downsizing. Now, DOD is trying to rebuild that workforce.

In 2001, we concluded that considering the enormous changes the DOD civilian workforce had undergone, and the external pressures and demands faced by the Department, taking a strategic approach to human capital would be crucial to organizational results.

As I will discuss next, this is no less true today than it was in 2001.

The second part of my written statement addresses DOD's current strategic human planning efforts.

DOD has taken positive steps to identify its critical skills. In 2006 as noted earlier, Congress required DOD to have a strategic workforce plan that included specific elements.

GAO has closely monitored DOD's efforts in this area. We have found that DOD has identified 22 mission-critical occupations, such as contracting, accounting, and information technology management that it identifies as critical skills. However, DOD has not conducted competency gap analyses for the majority of their mission-critical occupations.

Gap analysis is critical to develop specific strategies to address the workforce needs for today and the future.

For example, gap analysis enables a department to determine where they need to grow, and where they could possibly cut back.

We remain concerned that DOD lacks critical information it needs to effectively plan for the workforce requirements.

Mr. Chairman, the last point I wish to make is that DOD's workforce includes military personnel, Federal employees, and contractors. And changes made to one of these groups may impact the others.

Thank you, that concludes my opening remarks.

Be happy to take questions.

[The prepared statement of Ms. Farrell can be found in the Appendix on page 50.]

Mr. FORBES. Let me thank you both for your testimony, and also for your written statements, which we will make a part of the record.

And, Mr. Vollrath, we are delighted to have you today.

As I mentioned at the outset, you are the Principal Deputy Assistant Secretary of Defense for Readiness and Force Management at the Department of Defense. So you bring with you a great deal of responsibility on your shoulders and expertise. And we thank you for that.

All of us are concerned about sequestration. We are 5 months from that coming into place.

And as I look at the statute, it says that the same percentage sequestration shall apply to all programs, projects, and activities within a budget account; with programs, projects and activities as delineated in the appropriation act or accompanying report for the relevant fiscal year covering that account; or for accounts not included in appropriation acts.

Basically, we are talking about across-the-board cuts is essentially what we are looking at.

Now, noting that sequestration is the current law, noting that we are about 5 months out from when that comes into play, what will be the impact on the civilian workforce when sequestration hits?

Mr. VOLLRATH. Mr. Chairman, I wish I could give you a definitive answer, but I can't, because there are some decisions that could be made relative to the military workforce.

And if sequestration were to be a fact, the civilian workforce money is in the O&M [Operations and Maintenance] account. And defense and other agencies could make decisions about where the priorities would be placed within that account.

For example, other things that are affected would be things like fuel, training support dollars, et cetera.

And so some decisions would have to be made as to where the priorities are placed. But they would also have to be relative to what the overall objective is if sequestration hit. We would have to make some decisions about priorities on national defense.

Once those are made, we could begin to make reasoned decisions that would affect our civilian workforce, as well as the military. When that would happen, we clearly would have to take a look at the military, the support our civilian workforce provides to it, and then the impact of the contract services.

There are the three moving parts. And so I can't answer the question with any direction. I wish I could. But there are that many moving parts to this problem.

Mr. FORBES. Mr. Vollrath, we know that sequestration is the law. It is not just something that could happen. It is currently the law. Unless it is changed, it is going to be there no different than if we passed a budget.

Can you tell me what specific steps you are taking now to prepare for it, to answer the questions that you say are a number of moving parts that need to be answered?

Mr. VOLLRATH. The Secretary of Defense is still suggesting that this needs to be addressed. We need to work with Congress to understand what the impacts of this could be.

I don't have details about that. I know that Deputy Secretary of Defense Carter is slated to appear before the Armed Services Committee on the first of August to address more robustly the potential impacts of sequestration.

I do not have enough information to give you a straightforward answer.

The implications, of course, if sequestration were to happen, are significant.

First of all, when the decisions are made in terms of the impacts and where they are taken, if you translate that and bring it back into the Government civilian workforce, you mentioned that we have a certain legal requirement in terms of process to notify. We also have other things that we would have to deal with.

We have our labor partners and contracts with them that we would have to work. On the contract for services side, there are contracts that we would have to adjust.

And given the other authorities, okay, to reduce the workforce and shape it intelligently, we, for sure, would have to be back with you and other members of Congress to get some changes to the laws and internal to the Department of Defense on the policies in

order to shape the force appropriately, so that we do, in fact, avoid the kinds of problems that were alluded to in the 1990s.

I have to just tell you, I lived that dream in the 1990s of trying to downsize the force, take the peace dividend, and shape. And it was not, okay, an easy task then.

It is not going to be an easy task under sequestration. That is for sure. That is for sure.

Mr. FORBES. Mr. Vollrath, we heard Ms. Farrell say that the Department has been criticized for using incomplete data. And, as I recall, it was a lack of a comprehensive strategic plan in terms of the workforce.

Can you walk me through the RIF [Reduction in Force] process and the timeliness requirements that are going to be required?

Because, as you know, again, I come back to the fact sequestration is not just some pipe dream out there. It is the law. It is on the books. It is scheduled to take place in January.

Can you tell me what the RIF process is, and kind of walk us through that and the timeliness generally of that?

Mr. VOLLRATH. A normal RIF process would begin by an intelligent review of requirements. But in terms of timing and notification——

Mr. FORBES. Let us start with the intelligent review of the requirements.

How long would that take?

Mr. VOLLRATH. I would estimate the best case would be at least 3 to 4 months. And I say that because an intelligent review has to be mission-based.

Mr. FORBES. If it would take 3 to 4 months and we only have 5 months, does it surprise you that we haven't started and undergone that process yet?

Mr. VOLLRATH. No, because I don't think anybody has been able to come to grips yet with the severity of what sequestration means.

Mr. FORBES. Is it your opinion that people in the Department of Defense do not understand that this is the law. And it is going to take place in January?

Mr. VOLLRATH. Mr. Chairman, they understand that it is the law.

Mr. FORBES. If it is the law, what I don't understand is, if it is going to take us a minimum of 4 months to do the analytical review, has anybody instructed you to begin that process or has anyone instructed you not to plan for sequestration?

Mr. VOLLRATH. Neither.

Mr. FORBES. Then why would your Department not have begun this analysis if you know it is scheduled to take place in January, and you know it is going to take 4 months at least to do the analysis before you even begin the process?

Mr. VOLLRATH. Well, as the Secretary of Defense has said, he intends to continue to work with Congress to address the effects of sequestration. And I believe a much more robust discussion can be had around that question when the Deputy Secretary of Defense appears on the first of August.

Mr. FORBES. Mr. Vollrath, I don't disagree that we need to have a robust discussion. We have been trying to have it for a year now.

But you have heard the Senate say that they are not going to taking any action. You have heard the President say he would veto any action regarding sequestration.

It is the law. It is coming.

This is what is baffling me. If we had a budget that was coming on line with these kind of major cuts, I would think that your office would have already been doing some kind of analysis, so that they just don't hit us blindsided in January.

And it baffles me that we have undergone no process at all to do the kind of analysis that Ms. Farrell says is crucial for us to do before these cuts take place.

Is it because the Department of Defense just continues to just hope it is going to get changed?

Mr. VOLLRATH. I don't believe that it is a hope that it gets changed. I believe there is a lot of work to try to address the problem.

Mr. FORBES. Can you tell me any proposal that you have seen floating right now that would suggest that it is going to be addressed?

Mr. VOLLRATH. Personally, I have not.

Mr. FORBES. Who would make the decision within your Department to start this analysis?

Mr. VOLLRATH. That would have to start with the Secretary of Defense.

Mr. FORBES. And the Secretary of Defense has given you no instruction at all to begin that analysis to date?

Mr. VOLLRATH. I personally do not have that kind of instruction.

Mr. FORBES. But you would know if that was going to take place based on your position, would you not?

Mr. VOLLRATH. Not necessarily, because this is a large strategic movement.

Mr. FORBES. So then as the Principal Deputy Assistant Secretary of Defense for Readiness and Force Management at the Department of Defense, if you wouldn't know, who would know above you?

Mr. VOLLRATH. At this stage, I would defer to the Secretary of Defense and to the President, and where they intend to——

Mr. FORBES. Well, the President and the Secretary of Defense aren't going to do the actual planning. They would have to give that instruction.

But who would know in the Department if such instructions have been given to begin the planning, if you wouldn't know?

Could this planning take place if you didn't know it?

Mr. VOLLRATH. Probably not.

Mr. FORBES. So then you would know it if the planning was going to take place?

Mr. VOLLRATH. I am not aware of any planning. But that does not mean that there is no planning.

Mr. FORBES. Well, help me with this.

It is your testimony that if the planning were taking place, you would know it. Then you said you don't know it. But then you said the planning could still be taking place.

Mr. VOLLRATH. If there were any planning taking place that had any specificity to it, I would anticipate that I would be aware of that.

Mr. FORBES. And today in your testimony, you are not aware of that.

Is that your testimony?

Mr. VOLLRATH. That is correct.

Mr. FORBES. Are you aware that anyone has told you not to do the planning?

Mr. VOLLRATH. No one has told me not to do planning.

Mr. FORBES. And the only way the planning could be generated would be for the Secretary of Defense to begin that.

Is that your testimony?

Mr. VOLLRATH. I believe that to be correct, because there would have to be some decisions, as I mentioned before, about the force and its shape and decisions relative to that.

Mr. FORBES. Walk me through the timeline, if you would, regarding the 45-day notification, 60-day notification, et cetera, that we have to give for a RIF process.

Mr. VOLLRATH. Once a decision is made, and it is a decision made, then we would give the employees, that would be affected, a 60-day notice. Prior to those employees being notified, we, by law, must notify Congress of our intent to conduct a reduction in force.

And so that is a minimum of a lead-time of 105 days in order to conduct a reduction in force.

Mr. FORBES. And that date, as I understand it, from January 4th would be September 21st?

Is that to the best of your knowledge?

Mr. VOLLRATH. To the best of my knowledge, I will agree with that date.

In my mind, I peg it somewhere around the 18th of September, but clearly the middle of September.

Mr. FORBES. Middle of September.

Mr. VOLLRATH. Right.

Mr. FORBES. But at this particular point in time, you have done no analysis to determine what that would be.

Is that correct?

Mr. VOLLRATH. That is correct because there is——

Mr. FORBES. Now, assuming that we do not reduce the workforce, doesn't that mean we would have a disproportionate impact on our other accounts?

You mentioned two of them, fuel and training specifically.

Would it not stand to reason that if it is going to take 4 months to do this analysis, and we haven't done the analysis, and if you would have to give the notices out by September 21st, 18th, somewhere thereabout, that we wouldn't be able to make that timeframe.

Doesn't it mean sequestration would have a disproportionate impact on other accounts such as fuel and training?

Mr. VOLLRATH. It could.

Mr. FORBES. How could it not?

Mr. VOLLRATH. By other decisions that would be made.

Mr. FORBES. Give me one.

Mr. VOLLRATH. Where you take that impact in the O&M account.

Mr. FORBES. But it would have to be somewhere other than personnel, correct?

Mr. VOLLRATH. That is correct.

Mr. FORBES. And if it is somewhere other than personnel, that means we would have to put more on some other accounts somewhere else.

Mr. VOLLRATH. Potentially. It is clearly, as you stated, a zero-sum game.

Mr. FORBES. Okay. Thank you, Mr. Vollrath.

I have got a few more questions I will ask at the end.

Ms. Farrell, I will have some for you at the end.

But I am going to go now to Ms. Bordallo. We would love to hear her questions.

Ms. Bordallo.

Ms. BORDALLO. Thank you. Thank you very much, Mr. Chairman.

I have a couple of questions here, Ms. Farrell, and also to you, Mr. Vollrath.

Can you please comment on the risks associated with the Senate's proposed arbitrary cuts to the civilian workforce?

What risks might be associated with their approach if it were enacted into law?

And also with that question, today, what is the percentage of the civilian workforce that carry out duties not available today with the military workforce?

I don't—if you can give me some idea. Because I know for sure that there are particular positions and duties that the civilian workforce carry out today that the military do not.

Ms. FARRELL. Yes, ma'am.

Let me begin with, we don't comment on proposed legislation. But we can draw from our body of work of what we have seen that might be useful to you, as well as to DOD, in the face of reductions.

And we would encourage DOD to look at their workforce planning. Specifically, you start with critical skills and competencies. And we have discussed that DOD has identified critical skills in their mission-critical occupations—22—and that is their starting point for workforce planning.

First, you identify your needs. Then you identify the competencies that are associated with those. Measure that against your existing workforce. Measure that against your future workforce.

And that way you can determine gaps or where you might have some overages or where you might have a workforce that is not aligned with your strategic planning.

So that would be my first encouragement based on the body of work we have done to look at the workforce planning and starting with those mission-critical occupations.

As far as the percentages of civilians doing military personnel jobs, if I understand you correctly, that would be difficult.

We have looked at insourcing. We have looked at outsourcing. The numbers, as you know, are not clear in terms of a contractor inventory.

We have looked at work regarding civilians deployed in Iraq and Afghanistan. And we are constantly monitoring that. We know that there is a number of civilians that do serve in those positions rather than the military force.

But I would have to do further research to give you a more specific number unless my colleague can.

Ms. BORDALLO. I think you have partially answered it.

What I mean is that if you were downsizing the civilian workforce today, certainly there must be positions. Because, you know, when you go into the military, you are there for combat duty mainly.

So there must be a great number of positions, particular positions, in the civilian workforce that are not being held by military.

And I just wondered, what are these critical positions that, if you were to downsize today, we would be in a heap of trouble.

Ms. FARRELL. Well, currently, DOD does not have a strategy for the appropriate mix of personnel—that being military, civilians and the contractor force. That was a legislative requirement to DOD to include an assessment of the appropriate mix of personnel in their overall strategic human capital plan.

When we last issued our report looking at that, we did note that DOD had taken some steps in terms of providing guidance as to use the least costly mix of personnel to achieve the mission using the military requirements.

As you may know, there is also a mandate to GAO to look more closely at that guidance, and do an assessment of the methodology that makes that determination of the least costly way to go about making that determination. But there is not a strategy or definite numbers that is in the strategic human capital plans that we have reviewed.

Ms. BORDALLO. Mr. Vollrath.

Mr. VOLLRATH. Let me try to—I can't give you finite numbers. But let me try to at least address what I believe to be your point and the question.

The question, if I have it right, is what positions or jobs or skills do our Government civilians perform that are more aligned with what they would be doing versus what the military would be doing.

Ms. BORDALLO. That is correct.

Mr. VOLLRATH. In a simple statement, it would be, many of the base support requirements, acquisition requirements, RDT&E [Research, Development, Testing, and Evaluation] requirements.

When I talk about base and support requirements, the way that I look at the strategic management of the workforce is once you decide what the military's strength is going to be, and where it is going to be, you then bring in the next look from a strategic perspective, the Government civilian workforce that is necessary to support that.

And then last you bring on the contract for services where there would be cost-savings and things are not inherently governmental.

Let me go back to the base support.

Another strategic way that we take a look at shaping this force is, if you look at a base, it could be Army, it could be Air Force. But we tend to talk in terms of power projection platforms.

We look at that installation as a way to get off to war, because we are not going to engage in combat, we hope, there. So that we use the civilian workforce to support that power projection platform, and so we look for any military skills that might have been siphoned into that base support, and try to move them back into that warfighting capability.

And we have, I think, done a very reasonable job of that in the last several years.

Now when we take that idea, and we move it into contract services, that is a supplement to both of those. And some of that can be ramped up or it can be ramped down depending on what our direction is and use of our national strategy.

And so combining all three is what we believe to be the strategic look at the workforce. But it is fundamental to supporting that military.

Now, we have put out guidance, very recently again. But as the components and the Services start to work their fiscal year 2014 budget, and look at the out-years, that they be very attuned to the shaping of the force so as not to make decisions that could result in borrowed military manpower.

So if you overextend, or don't properly identify the civilian workforce that you need, the probability goes up that military might be siphoned off to take care of that gap. So we are keenly aware of the historic problems that have been around when we do these kinds of downsizing.

So right now, the strategic look is, start with the military, build in behind it. The Government civilians who are inherently Government work, and then use contracts for services.

Ms. BORDALLO. Thank you.

There is one other question for the two of you.

What lessons were learned from former Secretary Gates' efficiencies initiative that could be helpful in developing the requirements-based workforce management plan?

And how are issues associated with that initiative addressed in the strategic workforce plan?

Let us start with you.

Ms. FARRELL. Yes. We have work under way looking at the current DOD overall——

Ms. BORDALLO. Can you come a little closer to the mic, please?

Ms. FARRELL. We have work—can you hear me now?

Ms. BORDALLO. Yes.

Ms. FARRELL. We have work looking at the current overall DOD strategic workforce plan. And we are looking at that against certain requirements that Congress put in law for DOD, as well as events that may have taken place in the last couple of years, such as the Secretary's initiatives. But we are not in a position at this time to comment on that.

I would say that these initiatives were of a much smaller scale, and may serve as some lessons learned for DOD in the event that there are much more significant reductions.

Ms. BORDALLO. Mr. Secretary.

Mr. VOLLRATH. What we have learned from that is that we need to expand, and are expanding, some of the information tools to help guide us better.

For example, the inventory of contract services was not robustly supported in the past. We now believe that we have that built, along with information technology support, to get a much better handle on what we are getting for those contracts for services that we have left.

We also have, as you have heard, we have improved and expanded the strategic workforce plan and the support mechanisms to get greater fidelity in there for the civilian workforce.

Now, that strategic workforce plan has in it also a military component. But the real focus, frankly, is to get a better handle on the civilian workforce and its projected requirements.

Now, I would not sit here and tell you that we will have this totally figured out and it will be done in 2015, because it is a moving target. It always changes.

But we believe that as a result of the past efforts we have much better tools in place, or about to be in place, that will help us shape the force better than we have been able to ever do in the past.

Ms. BORDALLO. In your opinion, Mr. Secretary, why has it taken so long for DOD to develop its strategic workforce plan?

Mr. VOLLRATH. Because of its complexity. Because of its complexity. A strategic workforce plan, it depends on how you want to look at what a strategic workforce plan is.

The big problem has been to try to get all three components clearly identified and, if you will, in a box that you can take a look at it together. And so it has taken time to shape those tools to get them all in one holistic look, and I believe, frankly, GAO has helped us immensely, okay, with their look at our work and our progress, and their suggestions to make this better.

It is not going to ever be, I emphasize again, a thing of beauty because it has so many moving parts. As I mentioned, it is three workforces: military, Government civilians, contract. It is spread across four Services.

There are sets of laws associated with each one of them. The force is disbursed over the globe, literally.

And then you have the dollar dimension that is added every year, that has to be taken into consideration. And then there is time.

And so those are a complex set of things that have to be considered in the strategy of managing the workforce.

For example, cyber—if you took a look at the strategic workforce plan, if you went back about 5 years, cyber was barely a term. It has now come to the front. And so we are now looking at cyber and the skills required for that.

And in the civilian workforce component, what does that mean? What are the competencies?

As a matter of fact, in looking at cyber, the Government civilian workforce is a real opportunity for us, because we can hire into the mid-grades people with those kinds of skills.

On the military side, if we want to build that kind of competency, we don't have the ability to hire mid-grade. We bring them in, we train them, and we grow over time.

So the civilian workforce of the Department of Defense is critical to national defense to give us that flexibility to get the job done.

Ms. BORDALLO. Mr. Secretary, just cutting back on the original question, what do you think about the Senate proposal on the cuts?

Mr. VOLLRATH. I would recommend against having any particular arbitrary number. Because if we ever do that, I don't know how you do good strategic planning.

Now, that is not to say that you don't, for the sake of looking at potential impacts, take a look at cuts or dollar cuts in the budget. That is what we get paid to do to try to shape that force. We cannot do it in a vacuum.

We would prefer to have the flexibility to manage the force in a more strategic do. But whether any—you know, if Congress decides that we need to move in a slightly different direction, that is up to you all.

It would probably be better expressed in terms of a budget number for our flexibility.

Ms. BORDALLO. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. FORBES. Thank you, Madeleine.

The gentleman from New Jersey is recognized for 5 minutes.

Mr. RUNYAN. I thank the chairman.

And thank both of you for your testimony.

And I want to—it is in the wheelhouse. I am going to talk about civilian workforce, but not as it relates to sequestration. Because personally—not even personally, I think there are many other bases around the country that have a very similar problem I have that actually came out of the 2005 BRAC, and a lot of it is pay parity.

And it is a huge pay parity issue in the civilian workforce which they are asking us to help support our warfighters.

The base I have is Joint Base McGuire-Dix-Lakehurst. When it was made a joint base in the 2005 BRAC [Base Closure and Realignment], the McGuire-Dix side was in a Philadelphia wage and the Lakehurst side was in New York wage.

And it still currently sits there for the wage grade employees. The General Service employees went over to the New York wage grade.

So it is a huge inequity that is out there left over from that. And we have addressed that in this committee in both the fiscal year 2012 and the fiscal year 2013 NDAA.

And, really, what I am looking for as we ask how we are going to do whatever we have to do when and if sequestration hits, we have another looming issue out there if you are going to—maybe it might come to the fact where you have to backfill a lot of this stuff with more civilian workers. But yet we still have this looming issue hanging out there.

And I would, Mr. Secretary, I would like your comment on what the DOD is doing to help try to correct a situation like this. And I know it is not just at Joint Base McGuire-Dix-Lakehurst. It is at other ones.

Mr. VOLLRATH. Unfortunately, I don't know specifically about, you know, McGuire-Dix and the wage grade. So I will take that question get you an answer for the record.

[The information referred to can be found in the Appendix on page 74.]

Mr. VOLLRATH. But let me take that and go a step further. Because you mentioned base closure and the sequestration and the effects that it has on the workforce.

Clearly if sequestration were to happen, that is just another dimension of the decision process, you know, that we would have to go through. There are other dimensions.

You talked about the workforce at that installation. We would have to do more work in terms of seniority. We would have to—you know, who stays, who goes.

We would have to be very careful in how we manage that downsizing the workforce, so that we retain enough flexibility in that workforce for our future okay.

As the chairman mentioned we have a very senior force, eligible for retirement. We are very cognizant of the fact that we have to work on bringing more into the middle and more into the bottom in order to mitigate that potential effect.

Same would be true during sequestration. It would be a disaster to do a salami slice for anything that way.

We would be paying for that sequestration for years to come.

So I understand the question about wage grade. I don't have a specific answer for you. But I will take it for the record——

Mr. RUNYAN. I would appropriate that.

And we have been working with OPM [Office of Personnel Management] on it a lot. And it is really at that level of OPM and anything we can do to do that.

Because when you go back and interact with these—with civilian employees, majority of them are our veterans also. And we are in that world of, you know, taking care of the men and women that take care of us and it falls right back in line with that.

So I thank you.

And Mr. Chairman, I yield back.

Mr. FORBES. I thank the gentleman.

The gentleman from Iowa, Mr. Loebsack, is recognized for 5 minutes.

Mr. LOEBSACK. Thank you, Mr. Chairman and Ranking Member Bordallo for doing this event today, this hearing today.

And I want to thank both of you for being there, as well.

I think all of us understand and certainly accept that the civilian workforce performs critical work on behalf of our troops and our national security.

At the Rock Island Arsenal, which I am very familiar with, they work every day to build the equipment that keeps our troops safe on the battlefield. And when called upon to do so they have produced equipment. And they have really done their job.

They have gotten to our troops in the field when needed, and when no one else is able to. I think that is important to keep in mind, as well.

When armor was needed, for example, for the Stryker vehicles to protect our troops, the men and women at the Rock Island Arsenal worked 24 hours a day, 7 days a week to produce the lifesaving ballistic shield kits that our troops needed at that time.

And I know that those workers are very proud of the work that they did, as well, because they have told me many, many times how proud of that work they are.

And it is because of examples like this, of what our civilian workforce does every day on behalf of our service members that I am, of course, like everyone here, I think, extremely concerned about

any proposals, as was mentioned, that arbitrarily cut the workforce without regard of the effect possibly on our critical missions and our capabilities.

I think we are all in agreement about that.

Mr. Vollrath, Secretary Panetta has repeatedly highlighted the importance of protecting the defense industrial base, which in response to questions from me and other members of this committee, he has said includes both organic and private sector facilities and capabilities.

It appears that the Senate Armed Services Committee attempted to protect some elements of the industrial base from the cuts mandated in their bill, but failed to include organic manufacturing facilities such as Army arsenals.

What assurances, if any, can you provide that DOD leadership will protect the remaining organic defense industrial base, or critical Army arsenals from cuts that would undermine our essential capabilities and reduce efficiency?

And would the Department have the ability to base decisions regarding the reductions on readiness and critical capabilities? Or would the Department have to take an across-the-board approach across facilities and DOD offices?

Mr. VOLLRATH. Sir, is your question relative to sequestration or how we manage the force?

Mr. LOEBSACK. How we manage it, but it could be sequestration. It could be other cuts that come down the pike.

Mr. VOLLRATH. As you correctly point out, we need to make reasoned decisions and set priorities as we execute, quote—"strategic human capital management," or workforce management.

In terms of process there are guidances given in the development of the coming budget and the projected years—normally out 5 years in the POM [Program Objective Memorandum] process.

That guidance is generally focused on those key and critical functions, particularly where the civilian workforce is the backbone. So as the process occurs that guidance is developed.

I am just not current on the guidance for that particular element that you highlight. I do know that we have guidance in the development for our next budget and for the POM out, to ensure that we take care of that part of it that has to do with reset.

Mr. LOEBSACK. Yes, I am concerned, obviously, about some of the cuts that the Senate has been talking about—what they have approved. And so that is why I am asking that question.

I have got a number of other questions. In the interest of time, I think I am going to cut myself off here just a little bit early, which almost never happens in Congress, obviously.

I think I have about four other questions. And if I may, Mr. Chair, I am going to submit those for the record to you. And to you, Ms. Farrell, as well, we have at least one for you, if that is okay with you, Mr. Chair.

Mr. FORBES. Without objection, that will be fine, Mr. Loebsack.

Mr. LOEBSACK. Thank you very much. And I yield back the balance of my time.

Thank you, Mr. Chair.

Mr. FORBES. Thank you.

And the gentleman from Mississippi is recognized for 5 minutes.

Mr. PALAZZO. Thank you, Mr. Chairman.

And I thank our witnesses for being here today.

I just have some questions. When I think of DOD civilians, think the Department of Defense. And typically I think of the military.

Can you tell me how many of your DOD civilians actually have veteran status or have served in the military?

I know they may not have their 20 years, but——

Mr. VOLLRATH. I cannot, but I will be glad to take that, because I know we have that information. I just don't know it.

So if I can take that for the record, I will absolutely give you the answer for that.

[The information referred to can be found in the Appendix on page 74.]

Mr. VOLLRATH. A large portion—I will just tell you. A large portion of our civilian workforce has veteran status.

And in the hiring process veterans have some preference in hiring. And, frankly, we need some of that talent that was developed over those many years in the military to move into our civilian workforce.

That is in many respects how we fill that middle requirement in our civilian workforce.

Mr. PALAZZO. I agree with you 100 percent. I think veterans coming off and the experience that they have gleaned over whether it is 10 years, 20 years, or 30 years. Being able to come in and sit next to a true civilian who has never worn the uniform or been in a combat situation or boot camp-like scenario can help.

He will bring his skillset. He will kind of bridge the gap between the civilian and the military.

And there is definitely a culture that the military and DOD should not, you know, kind of mold itself to the civilians. But that civilian employee needs to understand the military culture because that is what makes our military so great, and has kept our country so strong for so long.

Mr. VOLLRATH. The Administration—just to follow up on that—has a very robust program across all of the Federal departments to hire veterans. I sit on that committee. And we report out regularly how each one of the various different agencies is doing to focus on those veterans.

Mr. PALAZZO. Can DOD civilians unionize?

Mr. VOLLRATH. The answer is yes. They may unionize.

Mr. PALAZZO. Just out of curiosity, how many DOD civilians have been fired in the past year?

I am sure you might not have that number in your head, but——

Mr. VOLLRATH. I don't have a number in my head. I would have to—define fired, okay?

Mr. PALAZZO. Terminated, but——

Mr. VOLLRATH. Terminated for cause is one way. And I can get back to you again—and take that—others, but terminated because of a reduction in the last year, meaning a RIF?

Mr. PALAZZO. Not a RIF.

Mr. VOLLRATH. All right. I do not know that number, but if——

Mr. PALAZZO. Unproductive, insubordinate, you know, typical things that will get you——

Mr. VOLLRATH. I don't know. Relatively——

Mr. PALAZZO [continuing]. In the military——

Mr. VOLLRATH. I understand.

Mr. PALAZZO. Okay.

Mr. VOLLRATH. In terms of percentage of the workforce, it is going to be relatively small. But with your agreement, I will take it for the record, Mr. Chairman, and get back.

[The information referred to can be found in the Appendix on page 75.]

Mr. PALAZZO. What sort of tax breaks would DOD civilians get for serving in combat zones?

I know a lot of them have been serving in Iraq and Afghanistan, Djibouti and pretty much everywhere there is military personnel.

Mr. VOLLRATH. I do not know, other than the standard tax breaks that you would get. I am not up on exactly what additional tax breaks they get that are unique to that Service in the CEW [Civilian Expeditionary Workforce] workforce.

It is a voluntary workforce but——

[The information referred to can be found in the Appendix on page 75.]

Mr. PALAZZO. It is probably more hazard pay as opposed to a tax——

Mr. VOLLRATH. Again, I don't know—I don't know——

Mr. PALAZZO [continuing]. It used to be 1 day—if you step, 1 day, in a combat zone, during the month, for military——

Mr. VOLLRATH. For military——

Mr. PALAZZO. A whole month up to a certain cap based on rank?

Mr. VOLLRATH. Correct. Correct.

Mr. PALAZZO. Okay. Also, I was reading your bio and I noticed that you are responsible for all matters related to civilian and military personnel, readiness of the force, military community, and family policy, and so forth and so on.

I was just curious. Are military personnel banned from attending political events in uniform?

Mr. VOLLRATH. Yes.

Mr. PALAZZO. Okay.

There seems to have been an exception to that policy this past couple of weeks where uniformed military personnel were allowed to march in a political parade in California.

Did that decision come from your area, readiness and force management?

Mr. VOLLRATH. It did not come from my area. But I am not sure that we correctly characterize that as a political event.

I mean, it was a unique event. But I am not sure there was a clear, political——

Mr. PALAZZO. There must have been some concern that it was political or could be perceived as political, because it was very quickly noticed, oh, this is a one-time exception.

Do you all have any internal discussions on who authorized that?

And do you think it actually went through the proper chain of command?

Because I would think that would be under your area of responsibility, and not maybe some public affairs or general council?

Mr. VOLLRATH. It was made by the right—the people that made it had the right authorities to do that. And it is a one-time excep-

tion, clearly, because we do need to assess follow-on impacts potentially to that. But it was not ill advised or taken lightly. Let us put it that way.

Mr. PALAZZO. Well, I see my time is over.

Tradition is one thing that has served the military extremely well from the days our country was founded. And breaking with tradition, I don't think, is a good thing to do at this time.

Thank you for your testimony.

Mr. FORBES. I thank the gentleman for his questions.

And, Mr. Vollrath, how can you say that the proper people and the proper authorities made the decision when you don't know who made the decision?

Mr. VOLLRATH. I know who made the decision.

Mr. FORBES. Can you tell us who made the decision?

Mr. VOLLRATH. It was in the public affairs part of the Department of Defense.

Mr. FORBES. But it wasn't with the Joint Chiefs or any of the chairmen of the Joint Chiefs, was it?

Mr. VOLLRATH. I don't know.

Mr. FORBES. Then you don't know?

Mr. VOLLRATH. I would have to get——

Mr. FORBES. But they didn't know about it?

Mr. VOLLRATH. I do not know that.

Mr. FORBES. Okay.

The gentlelady from Hawaii is recognized for 5 minutes.

Ms. HANABUSA. Thank you. Thank you, Mr. Chairman.

Both Mr. Vollrath and Ms. Farrell, I have sat in this committee, as well as in the major committee, and have asked many people, including all the chiefs and the joint chiefs, a very simple question, in my mind, which is what is the military of the future going to look like?

And to my surprise, no one knows.

As a matter of fact, I think General Chiarelli said it best when he said, "All I can tell you is that we have been 100 percent correct in not being able to predict it at all."

I am basically summarizing it.

And now that is why I come back to what both of you have said, Ms. Farrell in her written testimony, you in your statement, is you talked about a new defense strategy in terms of the civilian workforce. And Ms. Farrell talks about, on page eight, mission-critical occupations.

So my question to both of you is, when you both say that, what, Mr. Secretary, is that new defense strategy that you are looking to the civilian workforce, our workforce, to get to?

And, Ms. Farrell, when you talk about your mission-critical occupations, what is the definition of mission, and what makes it critical?

So beginning with you, Mr. Secretary.

Mr. VOLLRATH. Thank you.

When I talk about this as a strategy, it is a framework for a strategy. As I mentioned before, several years ago—define that, maybe, as 5 or 6, cyber would not have been on the table. It is now.

What I am trying to convey is that, in the strategic workforce planning, we have now put inside the capability to have greater

visibility of contracts for services, the civilian workforce in the military, side by side. That is a markedly different approach than we have historically pursued.

I do not want to leave you with the impression that, because of that, we have this now greatly improved ability to look out 8 years and see what that workforce is going to be.

We do not. But we do, in this process, try to push the limits out as far as we can.

For example, I mentioned cyber. One way is to say, well, we will just grow the military and that will take a long time.

The other is to say can we complement that with the civilian workforce?

The answer, as I gave you before, is yes, we can. We can input that talent much faster and at a higher level, in order to accomplish the change that is coming.

Now, we aren't any better because of the processes in divining what is going happen 6 years from now. We are paid to try to do that.

We are paid to come up with systems that would assist us in doing that. And frankly, as we get better at this, we are going to make some guesses, and they may not turn out to be exactly right.

But the good news is we are now in that position to start taking that professional look further out, with more information on which to make those types of decisions.

Ms. HANABUSA. Ms. Farrell.

Ms. FARRELL. Yes. It is in the National Defense Authorization Act for 2010 that requires DOD to include its critical skills for its existing workforce, as well as for the future.

The 2010 was an amendment—actually, they have been required since to develop such a plan.

So DOD chose to use what they call mission-critical occupations to identify their critical skills. They came up with those occupations through discussions at very senior levels, and with the functional community managers. That is our understanding.

The NDAA requires DOD to report their critical skills and competencies for the year that they are issuing, as well as 7 years out. So it is not 10 or 20 or 30 years in the future.

It is 7 years from the issuance date of the plan. And the plan is required through this year. There will be another plan that will be, for example, 2012, and then we will project for 7 years out.

Ms. HANABUSA. So, Ms. Farrell, would you agree with me that basically what you were studying was basically their best guess at what we would need?

Ms. FARRELL. They are not our identification. We are——

Ms. HANABUSA. I understand that.

What you are doing your analysis on is their best guess, DOD's best guess of what we are going to need in terms of workforce for the next 7 years.

Ms. FARRELL. We are looking for what decisions they are making that are data-driven. There are ways to identify skills and competencies to gather data, including what are emerging issues and information technology management.

Ms. HANABUSA. But it is still based on their best guess. If they don't know, that is what——

Ms. FARRELL. No, there could be data that they could collect from functional community managers, as well as doing surveys to identify what those critical skills and competencies that are needed today, as well as what is on the horizon.

Ms. HANABUSA. Mr. Chairman, I will ask to be able to follow up in writing. Thank you.

Mr. FORBES. Let me just, if I can, close a couple of the gaps.

Mr. Vollrath, you mentioned that you wanted to accomplish the change that was coming.

What is that change?

Mr. VOLLRATH. I am not sure that I can recall what that was about. I want to accomplish the change?

Mr. FORBES. You said you wanted to prepare in order to accomplish the change that is coming, that was I thought you said. Maybe I misunderstood you.

That is okay. Let me move on.

You also mentioned that the Department would prefer a modification to sequestration to more effectively implement the negative consequence associated with sequestration.

Do you recall that?

Mr. VOLLRATH. In the context of what the Secretary of Defense has been looking for in terms of relief, yes.

Mr. FORBES. Now, considering the implementation deadline is early January, when does the Administration intend on providing that legislative proposal?

Mr. VOLLRATH. In this case I would defer to Secretary Carter and the work that he will do with the committee on the first of August.

Mr. FORBES. Have you seen any such a proposal?

Mr. VOLLRATH. I have not.

Mr. FORBES. What would the negative consequences be expected without this legislative proposal?

Mr. VOLLRATH. A compressed timeframe to make some very significant decisions that affect the lives of the fine men and women that defend our Nation.

Mr. FORBES. Ms. Farrell, based on GAO's previous work, do you believe that the Department of Defense has analyzed and documented the critical skills and competencies in its workforce, civilian, contractor and military to identify their requirements and gaps in the existing workforce?

Ms. FARRELL. Well, I have noted earlier that DOD has mixed results from their strategic human capital plans. And we are currently reviewing their latest that was issued March of this year.

Last time we did the review we noted that they did not meet the legislative requirement to assess the appropriate mix of military, civilians and contractors.

They have taken some steps, as you may know, to better identify the contractor inventory, for example. They have issued guidance to determine the least costly mix of personnel needed to meet military requirements.

But at this time there is not a strategy or an assessment of the appropriate mix.

Mr. FORBES. The report that you are talking about that was filed in March, to be released as I understand it in September, what timeframe was that for?

Ms. FARRELL. That was their 2010 human capital plan.

And then it was based looking 7 years out from that date that was issued in March of this year.

Mr. FORBES. So essentially the plan that has been filed, which was in March of 2012, was for 2010. And it has still not yet been released. It will be released in September.

Ms. FARRELL. It has been released to us. We are currently reviewing it.

You are correct, though. It was issued this year but it is actually 2 years old to begin with. And we are looking to see if it does take into account things as the Secretary's initiatives, which did affect the civilian workforce.

Mr. FORBES. Is a plan that is 2 years old before it is submitted, is that timely enough to be used in a competent fashion for planning strategically with our workforce?

Ms. FARRELL. We would hope that DOD would continue to work on their workforce planning whether GAO was looking at what they are doing or not.

I know that they are already thinking about the next workforce plan that will be due. And we would encourage them to move forward and not wait for any legislative requirement.

Mr. FORBES. Based upon your analysis, do you feel that DOD is in a good position to properly prepare for downsizing in the workforce now?

Ms. FARRELL. Well, again, I probably sound like a broken record, but it is workforce planning, workforce planning. That is where we feel that an organization should look to determine what their needs are.

And then if they are in a position, such as what DOD may be facing, that that is the starting point.

We did work back in the mid 1990s looking at organizations outside of DOD that were considered to be successful during their downsizing periods. Those were, I believe, 17 private organizations, about 5 states and about 3 foreign governments.

And each organization had to tailor its approach for downsizing. But each of them had a common theme, and that was that workforce planning was essential for their downsizing efforts.

They all felt that without the workforce planning, they would have lost more critical people than they did. And it would have definitely impacted their ability to meet their mission.

Mr. FORBES. And you are being polite in saying that we need to do this and we need to do it better.

But what we need to determine as this committee is, is DOD in a position today, with the workforce planning that they have done, to properly do the downsizing it needs for its workforce.

Ms. FARRELL. Yes. Again, I know I sound like a broken record, but we still have the impact of across-the-board reductions that if an agency does not know what their needs are and what the impact is, there could be severe harm.

But we have not looked, let me be clear, we have not looked at the sequestration impact. Our analysis is based on lessons learned or observations that we have from the 1990s, and organizations that went through the downsizing efforts outside of DOD.

Mr. FORBES. Mr. Vollrath, 10 U.S. Code 129 [Title 10 United States Code Section 129] prohibits any constraint or limitation in terms of maximum number of employees.

Based on that, how is DOD able to impose a cap on civilian personnel at fiscal year 2010 levels and extend that cap through fiscal year 2018?

Mr. VOLLRATH. That is a good question. Let me try to put it in a context.

First of all, from my perspective, and I think I have this correct, these were set as targets with exceptions. Now, let me try to explain this because it needs to be in a context.

And that goes back to how can you best manage a force. And I am back to three pillars of the support of national defense: the military, the Government civilians, and the contract-for-services people.

In the case of the military, the military workforce is defined annually in terms of end-strength. Army, at the end of, will have 520,000. The Reserves will have X.

And so that is a finite number. There is a dollar. There is a budget behind that. But it is a finite number.

On the contract-for-services side, we now have a capability to measure the contract-for-services in terms of contract FTEs [full-time equivalent] for comparison purposes. With your guidance and help, we have instituted that far more robustly than we ever have.

So on the military side we look at end-strength. On the contract-for-services side we now are able to account for that. It is still dollar-driven.

And so when we want to have an intelligent discussion about the future, we need to include the number of Government civilians in that mix.

When it comes to execution, it clearly, as in the other three areas, will be impacted by the budget. But let me give you an example in my office.

As you heard in testimony yesterday from the Secretary of Defense and the Veterans Affairs and also from the President, we are standing up and implementing a new veterans transition program, the new and improved, to try to properly take care of our transitioning veterans.

In my office, we have overall responsibility for that program. We sat down some time ago and said what do we think it would take to properly manage this program from the defense level. And when we——

Mr. FORBES. That is a difference between saying these are what we are projecting and between putting caps on, is it not?

Mr. VOLLRATH. I don't think so.

Because if in my office, for example, we said unconstrained, we would like to have 21 people to do this, unconstrained. But then we have to bring it back into the reality of how many people do we have, and what could we possibly afford.

Mr. FORBES. But——

Mr. VOLLRATH. That then becomes a discussion——

Mr. FORBES. The statute says specifically, the management of such personnel in any physical year shall not be subject to any con-

straint or limitation in terms of man-years, end-strength, full-time equivalent positions or maximum number of employees.

Based on that, how was DOD able to impose a cap on civilian personnel at fiscal year 2010 levels? And——

Mr. VOLLRATH. I do not believe that we have imposed a cap. We have put it out in terms of a target, with exceptions to have that intelligent discussion.

I don't know how else you do that, frankly. If we just give a dollar value, I am not sure what that means.

I have to, in terms of deciding the number of people that it takes to prosecute the mission, I need to have a way to look at that and some reasonable management effort. We have not told the Services that they may not increase their civilian workforce.

As a matter of fact, the exceptions are there. We are looking at exceptions—language training, in order to support that. That is the most current one that has been working.

Mr. FORBES. So you feel that when it says that you can't impose any constraint, that you feel that you can impose whatever constraints you want as long as you have exceptions to that.

Mr. VOLLRATH. In part I would agree, but I keep coming back to we need to have a reasonable basis on which to have the discussion.

Mr. FORBES. I don't think anybody would challenge the fact that we need to have reasonable basis to have discussion. I think what they would challenge is whether or not we are complying with the intent, either the letter or the spirit of that law.

Let me take you back to some of our force structure reductions.

It is my understanding that should DOD undertake a reduction in force, that a determination regarding which individuals to retain is based on essentially two things.

You talked about longevity in service. And yet if you are looking at longevity in service, we are talking about a situation where 90 percent of the senior leadership is going to be retirement age in 2015, and about 30 percent of the DOD workforce is going to be in retirement age by 2015.

Then the other criteria you talked about to the gentleman from Mississippi was the veterans preferences that you had in there.

If you have those two pincers, basically, that are coming into your workforce, how are you going to possibly be analyzing and look at skills and capability gaps?

Mr. VOLLRATH. As we take a look in this strategic workforce planning, one of the critical elements that we look at is the age of the force, the retirement eligibility of the force, and also the ability to hire. And so when we do that strategic planning, and we look for those skills and gaps that have been discussed, those are the types of things that we look at.

Mr. FORBES. Okay, now, let me just ask you this.

Have you done that strategic planning now to look at those skills and capabilities, and what we need projecting out in the future?

Mr. VOLLRATH. We are in the process of doing that.

Mr. FORBES. When did you start?

Mr. VOLLRATH. I would say we started in earnest in 2011 with creating this ability to get the visibility to do that.

Mr. FORBES. But right now, we don't have any analysis to say what those critical skills and capabilities are.

Is that true?

Mr. VOLLRATH. No, that is not correct. We have started that. We have done it for at least 22 now.

What we are doing now is driving it further and further down the workforce and broader and broader now.

Mr. FORBES. Okay.

Ms. Farrell.

Ms. FARRELL. It is true that DOD has identified their critical skills for the existing workforce.

The area that we have been trying to steer them toward is the gap analysis that we talked about earlier. That once you determine what your mission-critical occupations are, as DOD refers to them, their critical skills, then the next step is to measure those against the existing workforce in order to determine where your gaps are in some cases.

And it always has to be tailored to what is going on in that particular field. In some fields, you have to consider how long it takes to train someone up. And in that case, retirement eligibility may become more of a factor in your strategy to fill those positions.

In other cases, you may look at an emerging field and see that it is just going up and down each year and it is not very steady. In those cases, that is when you may want to develop a strategy that may rely more upon contractors if it is not for a position that is inherently governmental.

But we would like to see more gap analyses.

DOD did have a plan to have gap analyses completed for their 22 mission-critical occupations by 2015. We would encourage them to expedite those analyses.

Mr. FORBES. So Mr. Vollrath, right now we have not done that gap analysis.

Is that a fair conclusion?

Mr. VOLLRATH. We have not completed it. We have started that process.

Mr. FORBES. Well, if you have started the process, the process doesn't do you any good until you have completed it, does it?

Mr. VOLLRATH. I am not sure I would agree with that. As we will learn as we go along. And we will have—we are doing it——

Mr. FORBES. Can you give to this committee today anything that we can look at to see what those gaps are?

Mr. VOLLRATH. I believe we can give you in some instances, yes, because we have started that. We have not completed it.

Mr. FORBES. Well, will you supply to us whatever that you have in terms of that gap analysis now?

Mr. VOLLRATH. Certainly.

[The information referred to can be found in the Appendix on page 73.]

Mr. FORBES. And have you looked at how sequestration is going to impact that gap analysis?

Mr. VOLLRATH. Have not.

Mr. FORBES. If it has taken you a year or more to just get to where you are now, why are we waiting when we only have 5 months left before sequestration before we look at these impacts?

Mr. VOLLRATH. I will have to defer to Secretary Carter and——

Mr. FORBES. Do you think that is reasonable to wait?

Mr. VOLLRATH. At this point, I don't know. I know what the rules are. I know what potential implications could be.

Mr. FORBES. But you don't know whether it is reasonable or not for the Department of Defense 5 months out from a $½ trillion of cuts across the board to not be doing any planning on what kind of gap analysis we would have should sequestration hit?

Mr. VOLLRATH. Again, I will defer to Secretary Carter and testimony on the first of August.

Mr. FORBES. But you don't have any opinion on that?

Mr. VOLLRATH. I don't have any opinion other than that which I expressed in terms of how the mechanics would have to work.

Mr. FORBES. Madeleine.

Ms. BORDALLO. Thank you, Mr. Chairman.

I have just a couple of questions here.

First, to Mr. Vollrath.

How does the strategic workforce plan inform the workforce on budget decisions in DOD, if at all?

Mr. VOLLRATH. It does inform the leadership on the budget. Again, in that analysis, supported by the strategic workforce plan, we have in there a look at the military, a look at the Government civilian. And when we also have on top of that what is called the ICS [Inventory of Contract Services] to look at the contracted services.

That is used every cycle to try to get the best mix possible for the next budget submit and for, I will use the term normalization or rationalization of a look 5 years out as to what we believe we need to ask for in the 5-year strategic look.

And so we are using that product and that process today.

Ms. BORDALLO. So in your opinion, then, the workforce would be adequately informed.

Mr. VOLLRATH. The need for a workforce and what that workforce is, I believe we have good information to make reasoned decisions. We do not normally use that to, quote—"inform the workforce," meaning public announcements, et cetera, because that is not what it is designed for, if I am getting your question proper.

Ms. BORDALLO. Right. Okay.

My second question is, how does the DOD synchronize, separate, and discrete civilian military and contractor funding decisions and ensure that proposed savings from reducing one category of manpower are not offset by increases in other categories of manpower?

Mr. VOLLRATH. A very good question.

The first answer to that is we have drawn a line and said you may not outsource those functions which are inherently governmental. We also have guidance in law that says we may not increase the dollars spent on contracts for services above the fiscal year 2010 level, as indicated in the President's budget submit for fiscal year 2010.

And so there is a relatively bright line for that right now.

In terms of Government workers and military, what we have said in terms of planning guidance, as I mentioned earlier, is be careful, commanders, as you build your workforce, to make sure

that you don't create the situation where you are forced into the position of having to use borrowed military manpower.

If you have a legitimate reason-need, for which you have no other choice but Government civilians, then that is the answer. And you should ask appropriately. And if exceptions are required, then you have that responsibility to ask for those exceptions.

We need to make the right decisions for the people, and in the context of national defense and the budgets that drive it.

Ms. BORDALLO. Well, thank you. You have made that very clear.

Ms. Farrell, what observations can you offer regarding DOD's efforts to plan for its civilian workforce requirements?

And in your estimation, is the implementation of total force management helping to identify the core requirements by workforce type, civilian, military and personnel?

And what improvements could be made in the process to determine requirements and critical skills across the workforce?

Ms. FARRELL. I would like to talk about the civilian workforce plan to begin with.

We bounced it around quite a bit. And I think we all agree that it is key.

But the overall civilian strategic human capital plan that we looked at in 2010 was far from being mature enough to make informed decisions regarding the mix of personnel or the cost or the trade-offs that we are discussing today.

There has been an update to that plan. And we are looking at that. But I think it is probably safe to assume that DOD has not progressed at the rate we all would like to see in terms of the competency-based gap analysis.

I keep coming back to that. Gap analysis is very key to determine what you need today and what you need in the future. And that is what we would like to see the decisions based on.

Again, the plan is based on leading principles that OPM and GAO identified that were key to developing human capital management.

DOD had been reluctant to develop such a plan in 2000, 2002, 2004. And then in 2006 Congress stepped in and mandated.

These are the elements from leading practices. This is what we would like to see for your overall strategic human capital plan.

And then as well, the single leader workforce, which is the senior executive service, and those that are at the top leadership in the intelligence community, and then there are very specific requirements again, that are based on leading practices of how to develop such a plan for the acquisition workforce.

The plan includes appendices that address different subcomponents, information management technology, medical. And these plans, subcomponents, are in different levels of maturity.

But again the overall plan that we have reviewed is not mature enough to make informed decisions.

Ms. BORDALLO. I just want a direct answer on this one.

In your opinion then is DOD driving manpower decisions by resources or by requirements in critical skills required across its workforce?

Ms. FARRELL. Well again, we refer to workforce planning as a way to determine what the size of the workforce should be, and

what the makeup of the workforce should be. And there are principles that can help you obtain the data and do the analysis to come up with that.

Now at a certain point, management may have to come in and make tradeoffs. But we would encourage DOD to have data-driven analysis in their human capital plan to make such decisions.

Ms. BORDALLO. All right.

Thank you, Mr. Chairman. I have no further questions.

Mr. FORBES. I would like to thank the members and our witnesses. And members certainly can submit any questions we would like.

Gentlemen,—Mr. Vollrath, thank you for being here.

Ms. Farrell, thank you.

Both of you for your service to our country and for your willingness to be here and your expertise, and I think you can see whether we are Republicans or Democrats here, we are very concerned about this issue.

We are united and being concerned about the fact that, Mr. Vollrath, as you come in here with all of your expertise that we appreciate and respect so much as the Principal Deputy Assistant Secretary of Defense for Readiness and Force Management for the United States Department of Defense, that today it is our understanding in this committee that we really do not have a gap analysis today to show us the gaps that we have in our critical skills and our competencies today.

And that is before sequestration hits, which is just 5 months out from today. And at that particular point in time we don't even have an opinion of whether or not we think it is reasonable or unreasonable that we should be preparing for that.

And, you know, that is a message that I just hope you will take back to your friends at the Pentagon. And just say, you know, again, we are united as this committee in saying, as Ms. Farrell said, that we think it is absolutely crucial that we do a workforce analysis that we have some planning instead of just pulling these numbers out of the air and moving forward with those.

And so for all of your help and expertise, all the members who were here today, and for my friend from Guam, we want to thank you for being here.

And with that, we are adjourned.

[Whereupon, at 2:35 p.m., the subcommittee was adjourned.]

A P P E N D I X

JULY 26, 2012

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 26, 2012

Statement of Hon. J. Randy Forbes

Chairman, House Subcommittee on Readiness

Hearing on

Civilian Workforce Requirements—Now and

Across the Future Years Defense Program

July 26, 2012

I want to welcome all of our members and our distinguished witnesses to today's hearing that will focus on "Civilian Workforce Requirements—Now and Across the Future Years Defense Program."

The civilian workforce provides an invaluable contribution to the DOD mission both at home and abroad, frequently deploying to combat zones alongside military and contractor personnel. I welcome this discussion today and the opportunity to better understand how the Department of Defense is forecasting its future workforce requirements and balancing the critical skills required across all components of its workforce.

Additionally, I want to understand the impact of directed reductions. Right now, there are two possible reductions that could negatively impact the civilian workforce in the short term—sequestration, and the proposed Senate NDAA language. Let's start with the Senate committee-passed language that directs civilian and service contractor workforce reductions commensurate with military end strength through FY17 which would be expected to be in excess of 5%. Based on the numbers provided in FY13, simple math would suggest that more than 39,000 civilian Full Time Equivalents would be eliminated.

Next, we have sequestration. Nobody wants it to happen, most especially not me. We have been talking about it for awhile, but, it appears there is little to no planning associated with this legislative mandate. Assuming an exemption for military personnel, we calculate there would be an approximate 11.3% reduction across all other accounts. Again, simple math would suggest that an additional 89,000 civilians would be eliminated. When you add the two figures, we are talking about more than 128,000 people. And, informally, some in the Pentagon have indicated that sequestration alone could be as high as a quarter of the total civilian workforce, or almost 200,000 people. The result of any such cuts, particularly without analytical underpinning, would be long-term, irreversible damage to the workforce. And, let us not forget the costs that would have to be calculated to implement, and the sunk costs from the first quarter of the year.

Fundamentally, I have opposed any effort without the necessary details that support the proposal. In the case of the Senate reduc-

tions and the mindless implementation of sequestration, both appear to lack any basis in fact or reason. That is why I believe the more prudent approach to managing the civilian and contractor workforce is to assess the requirement and then to shape the workforce to meet these decision. I look forward to discussing all of these issues later in this hearing.

So, where does that leave us? Well, according to the statutory requirement in 10 U.S.C 1597, any involuntary Reductions In Force require notification—both to Congress and the employee. So, if sequestration were to take effect in January, DOD would be required to notify us at the end of September.

In light of potential reductions, what genuinely concerns me is the Department of Defense's planning for its future workforce requirements, and negotiating the appropriate balance among civilian, contractor and military personnel. Since 2001, GAO has listed Federal human capital management as a Government-wide, high-risk area because of a need to address current and emerging critical skill gaps that are undermining agencies' abilities to meet their vital missions. And, we know that approximately 30% of the DOD workforce and 90% of its senior leaders are eligible for retirement as early as 2015.

I look forward to hearing about what analysis DOD has undertaken to identify and document critical skills and competencies required in each component of the workforce, particularly should directed reductions occur. And, what recommendations GAO has for that DOD process.

We were also recently notified that the Department just extended its civilian personnel cap through Fiscal Year 2018. Does that presume that budget is driving DOD workforce requirements, or vice versa? And, I look forward to clarification of how this cap is not in direct contradiction to the statutory requirement set forth in 10 U.S.C. 129 which clearly precludes any "constraint or limitation in terms of . . . maximum number of employees."

We in Congress, and namely this Subcommittee, have exercised great oversight of civilian workforce issues to ensure DOD best plans for its requirements. Total Force Management in particular directs a holistic perspective of workforce requirements across civilian, military, and contractor personnel. However, I am not convinced that we even have perfect knowledge into our civilian requirements.

I look forward to our discussions today and delving into these topics further. We need to exercise appropriate oversight of the process to ensure that sequestration or other reductions do not blindside our workforce. They deserve to know what may lie ahead and it is our job to ensure the public is informed.

Joining us today to discuss the DOD's civilian workforce are two distinguished witnesses:

- Mr. Frederick Vollrath, Principal Deputy Assistant Secretary of Defense for Readiness and Force Management at the Department of Defense; and
- Ms. Brenda Farrell, Director of Defense Capabilities and Management at the U.S. Government Accountability Office.

We thank you both for being here. We are looking forward to your testimony.

WRITTEN STATEMENT OF

MR. FREDERICK E. VOLLRATH

PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE (READINESS AND FORCE MANAGEMENT)

PERFORMING THE DUTIES OF THE ASSISTANT SECRETARY OF DEFENSE (READINESS AND FORCE MANAGEMENT)

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON READINESS

UNITED STATES HOUSE OF REPRESENTATIVES

ON

CIVILIAN WORKFORCE REQUIREMENTS – NOW AND ACROSS THE FUTURE YEARS DEFENSE PROGRAM

July 26, 2012

INTRODUCTION

Chairman Forbes, Ranking Member Bordallo, Members of the Subcommittee. Thank you for the opportunity to appear before you today. The Department of Defense (DoD) appreciates all this Subcommittee does to support the readiness of our armed forces. On behalf of the Secretary of Defense, Leon E. Panetta, and the Under Secretary of Defense (USD) for Personnel and Readiness (P&R), Erin C. Conaton, I would like to thank you for the invitation to discuss a key element of that readiness, our career government civilian workforce.

As you know, we must address the civilian workforce within the larger context of the Department's Total Force of active and reserve military, civilians, and contracted services. As we look to the future, we must continue to strive to achieve the most effective, efficient, and appropriate mix for the Total Force in order to best meet the readiness and capability needs of our commanders, sustain the All-Volunteer Force while maintaining faith with those who serve, and ensure availability of fiscal resources for other compelling needs, such as recapitalization.

Today, our forces are the most capable in our Nation's history. Our Active and Reserve Service members and defense civilians must be well prepared to execute the widest range of current operations and respond to emergent needs. They are highly experienced and proficient in a wide range of real world operations. The Department's current plans, reflected in the President's Budget request for fiscal year (FY) 2013, represent a carefully coordinated approach that addresses operational needs, satisfies mission requirements, and recognizes fiscal constraints. Our future plans require us to align capabilities and associated costs of all elements of the Total Force. These elements cannot be managed in isolation if we are to avoid a hollow force and unnecessary expense. Our strategic plan recognizes:

- An active military that has decreased, yet highly demanding, operational commitments and revised overseas posture;
- A Reserve force that is a capable strategic and operational asset;
- A highly skilled and diverse career civilian workforce capable of performing mission essential and inherently governmental (IG) tasks;
- Contracted support that is cost effective and designed to provide appropriate and complementary support to our operational needs; and
- Efficient management of our contracted support as part of our Total Force mix.

TOTAL FORCE MANAGEMENT (TFM)

Total Force Management is the life-cycle process used to ensure the Department's capabilities are enabled by an effective, efficient, and appropriate mix of military, civilians, and contracted support to deliver requisite readiness while minimizing costs. During this period of constrained defense budgets, the Department must ensure that a sufficient number of federal civilian personnel are available to meet the support needs of our military forces, and deliver critical capacity building and security force assistance requirements. The Department must also prioritize and reduce less critical missions while we ensure that military and civilian personnel are performing all IG jobs, and that there are sufficient numbers to perform critical oversight, management, and readiness functions.

The Department's sourcing decisions must be made on the basis of law, cost, policy and risk. As required in the FY 2012 National Defense Authorization Act (NDAA), we are committed to ensuring those decisions are made consistent with title 10 requirements regarding workforce management. We will continue to deliver a flexible, responsive civilian workforce that mitigates risk and ensures continuity of operations; promotes an organic knowledge base; and ensures mission requirements are met most cost effectively and efficiently.

To achieve these objectives, we must ensure decision makers have access to relevant information and data, such as the statutorily required Inherently Governmental and Commercial Activities (IG/CA) Inventory, the Inventory of Contracts for Services (ICS), and accurate data to forecast environmental and demographic workforce trends associated with strategic workforce planning. Additionally, we must have the flexibility and tools necessary to appropriately align workload and balance the Department's workforces, including in-sourcing contracted services, converting work from military to civilian performance when military expertise is not required, and public-private competitions (when/where permissible). Total Force Management decisions should be aligned to support the Department's Strategic Workforce Plan, and the mitigation of risk associated with mission critical occupations and high risk skills within functional communities.

CURRENT CIVILIAN WORKFORCE PLANS

Since 2001, civilian full-time equivalents grew by roughly 17 percent, from less than 700,000 to approximately 800,000. This includes United States and foreign national direct hires, as well as foreign national indirect hires. This growth occurred while the country was

prosecuting two wars; new war-fighter domains such as cyber and unmanned intelligence, surveillance, and reconnaissance emerged; and the global security and geo-political risk environment significantly changed. Today's career civilians:

- Operate in the field, performing intelligence, surveillance, reconnaissance, cyber, and security functions;
- Perform equipment reset and maintenance, of ships, planes and weapons;
- Manage and oversee acquisition, logistics, personnel, and finances, including in an expeditionary capacity in support of ongoing operations;
- Provide engineering expertise across the full spectrum of the Defense enterprise;
- Deliver medical care and health services;
- Perform critical and innovative science, technology, and research lab functions in support of improved weapons systems, war-fighter capabilities, and the delivery of state of the art health care;
- Deliver base operating support, installation readiness and security, and family support services;
- Perform installation security; force protection; and chemical, biological, radiological, and nuclear response; and
- Support entry and institutional training of our forces

In an effort to significantly reduce excess overhead costs and apply the savings to war-fighting capability, force structure and modernization, and readiness, the Department carried out a number of initiatives beginning in FY 2011 including directing Components to maintain civilian personnel at FY 2010 levels. Components were directed to make trade-offs and separate core mission requirements from less compelling support needs based on organizational assessments and mission/function prioritization. This reflects a commitment to challenge workload requirements and size our workforce to meet our most pressing and critical priorities. Exceptions to this have been granted on a case by case basis, where justified by workload or other specific rationales.

The FY 2013 President's Budget request reflects an objective and reasonable approach that decreases spending on all components of the Total Force: military, government civilians, and contracted services. The current budget request continues to fund the civilian workforce at FY 2010 levels, with some exceptions. However, we recognize that we operate in a dynamic and

changing environment and therefore must retain the flexibility to adapt our workforces accordingly.

To achieve civilian personnel reductions, the Services are using all voluntary means available. This includes incentivizing early retirements, strategic pauses in hiring, and normal attrition.

FUTURE CIVILIAN WORKFORCE PLANS

We have over the past 10 years grown our workforce in response to changing mission demands and priorities and we are constantly evaluating workforce requirements to reflect changes, particularly eliminating requirements where workload has declined or the assigned work is considered to be of a lower priority or redundant. Given the strategic direction of the Department, the planned reductions among the uniformed force, and in order to meet the requirements of the Budget Control Act (BCA), the funding for civilian positions are currently planned to decline by approximately 2 percent from FYs 2012 to 2017. We continue to assess whether further reductions and realignment of civilian personnel can be made, in the context of adjustments to the Total Force and the new defense strategy, and will keep this Committee informed of the results.

The civilian workforce is extremely talented and critical to success in meeting our strategic goals. We are committed to providing strong support to programs which support their continued training and professional development. Civilians perform key enabling functions for the operating forces and deliver vital services that support our uniformed men and women. Changes in the civilian workforce must be done in a way that preserves mission essential skills and abilities over the long term and in a manner that enables us to recruit and retain the most talented individuals.

CONTRACTED SERVICES

We also recognize the need to review and assess levels of contracted support in order to ensure appropriate and cost effective utilization of such support. The Department is committed to complying with and implementing Congressional direction in the FY 2012 NDAA to limit aggregate spending on service contracts. Guidance issued by the Deputy Secretary of Defense in June 2012 limits total obligations for contracted services.

POLICIES, PROCESSES, AND TOOLS

DoD organizations are increasingly challenged to prioritize their limited resources, to ensure that military or career civilian employees are performing all IG jobs, and sufficient numbers of career civilian employees are available for critical oversight, management, and readiness functions. We are committed to complying with Congressional direction in the FY2012 NDAA to "undertake a more holistic approach to its [the Department of Defense] requirements in order to achieve the appropriate balance in its total workforce" and to improve our "ability to appropriately plan and budget for its total manpower requirements." We agree that "risk mitigation should take precedence over cost when necessary to maintain appropriate manpower to support the Department's operations and readiness to perform the core missions of the Armed Forces."

To support these goals, the USD(P&R) chairs the Defense Human Resources Board (DHRB). The goal of the DHRB is to promote and facilitate improved Department-wide Total Force Management, through the improved alignment of statutes, policy, business practices, information technology, and resources.

Workforce Mix: In October 2011, OMB's Office of Federal Procurement Policy issued its policy letter regarding IG and other work reserved for government performance. The identification of IG functions, work that is closely associated with IG, and workload critical to the Department's ability to execute its mission are fundamental processes in our Total Force Management strategy.

The workforce should also be structured in such a manner so as not to use military personnel outside of their primary specialty to perform non-related functions or tasks. Doing so would limit their availability to mobilize and perform the operational mission, support and maintain necessary states of unit readiness, or impede their training and career progression requirements. In March 2012, we issued guidance to the Department regarding the use of "borrowed" or "repurposed" military manpower. This guidance is intended to ensure that with declining operational tempos for our military personnel and, as civilian reductions associated with efficiencies are implemented, military personnel are not inappropriately utilized.

As planned reductions are implemented, we will continue to focus on the proper mix of personnel. The annual IG/CA Inventory is one of many data sets and workload quantification sources that components have available as they shape their workforces and develop their budget proposals. The inventory provides visibility into component workforces based on functional

descriptors, manpower mix criteria, and location of services. We are improving the utility of the IG/CA Inventory beyond its historical use associated with public-private competition. Improvements include the addition of major headquarters activities indicators; delineating workload associated with operating forces and infrastructure; and flagging specific elements of the workforce such as Defense Acquisition Workforce or Defense Health Program.

Inventory of Contracts for Services (ICS): The Department remains committed to meeting its statutory obligations under title 10 to annually review its contracted services. In November 2011, we delivered a consolidated plan to Congress that identified both short and long-term actions that will improve the ICS, make it a more reliable and complete data set, and improve visibility and accountability in the area of contracted services. This plan, and subsequent guidance issued in December 2011, specifically addresses how we will:

- Measure contracted support level of effort using direct labor hours and associated cost data collected from contractors;
- Assess the type of work being performed by the private sector and for whom based on standardized taxonomies and portfolio groups;
- Strengthen the relationship between the ICS and annual budget justification materials; and
- Ensure the ICS supports strategic workforce planning and an appropriately balanced, effective, and efficient workforce.

The actions being taken will improve the long-term utility of the ICS and will enable us to more accurately and holistically assess contracted workload. Coupled with an improved IG/CA Inventory, the goal is to develop the ICS to achieve the appropriate mix in our workforce, aligning IG activities to military and civilian workforces and commercial activities to the most cost effective service provider. Additionally, improvements currently underway will enable the Department to more accurately identify contracted level of effort based on direct labor hours and associated data. We are moving forward with fielding an enterprise-wide system, modeled after the Army's Contractor Manpower Application, as directed by Congress. This more accurate accounting of the level of effort will enable translating contracted services into a common unit of measure, full-time equivalents, comparable to civilian workforce levels. The increased fidelity into contracted services will serve as another critical tool to monitor possible workload

realignment, further facilitate Total Force Management, and assist to more appropriately realign limited resources to our most pressing priorities.

In-sourcing: The Department greatly values the support provided by the private sector, recognizing it as a vital source of expertise and innovation. However, in-sourcing continues to be a necessary workforce shaping tool to reduce excessive or inappropriate reliance on contract support and provide the best value for taxpayers. While some contracted services may be identified for in-sourcing, some services may no longer be required, or be of lower priority, and therefore reduced in scope or eliminated.

OMB Circular A-76: The Department is committed to ensuring adherence to the current restrictions regarding the outsourcing of any work performed by, or designated for performance by, civilian employees. Consistent with statutory changes that restrict the "direct" conversion of work by any number of civilian personnel to private sector (contract) performance, we issued guidance in December 2011, urging vigilance to prevent the inappropriate conversion of work to contract performance. In early March 2012, we issued guidance that reiterated the current statutory moratoriums on public-private competitions, placing existing statutory restrictions in the context of our changing fiscal and operational environment.

As noted earlier, contract support is critical to our operations. With a mission set as dynamic as the Department's, the flexibility to transition work between sectors (government and private) in a timely, well-reasoned manner is critical to ensure we deliver capability in the most cost efficient and effective manner. Last summer, we submitted a report on our public-private competition policy and procedures under OMB Circular A-76. The report stated that the public-private competition process can be a useful tool for our commanders and managers to validate an organization's manpower and other requirements; drive a more consistent delivery of mission support and services to our service members and families; improve business processes; and deliver readiness. A-76 can also be an effective means of freeing fiscal resources to meet other compelling needs of the Department. That said, no steps will be taken in this area before making improvements to ensure the process is more equitable, less time consuming, and minimizes disruptions to incumbent workforces. In addition, we are fully committed to ensuring that any such improvement process would involve wide vetting with affected stakeholders.

Strategic Workforce Plan: The Department continues to make progress toward developing a more systematic approach and enhanced enterprise tools for strategic human capital

planning. In FY 2012, we developed initiatives to meet statutory civilian strategic workforce planning requirements by FY 2015. First, we expanded the functional community construct to cover all major occupations in the civilian workforce. Previously, only mission critical occupations, which made up less than 40 percent of the workforce, were covered in the DoD Strategic Workforce Plan. Second, we updated criteria for designating mission critical occupations following a more structured process defined by the Federal-wide Strategic Human Capital Management High Risk Initiative. Third, an Enterprise Competency Management Framework has been designed to include phased development of Department-wide occupational competency models and deployment of a tool for competency assessments. An Army system is now being updated for Department-wide use to replace multiple competency tools with a single enterprise system. That system, the Defense Competency Assessment Tool, is scheduled for deployment in FY 2013; and through it, we will be able to assess workforce competencies and develop strategies to reduce critical skill gaps that may impact mission accomplishment by FY 2015.

CONCLUSION

The Department has plans in place to address our needs for an effective and appropriately resourced Total Force. We continue to focus on life-cycle management of the civilian workforce by integrating strategic workforce planning, competency management, hiring process improvements, and workforce professional development initiatives to ensure that plans support the recruitment, retention, and development of a ready civilian workforce that is responsive to rapidly changing mission demands and complex challenges.

Frederick E. Vollrath

Principal Deputy Assistant Secretary of Defense for
Readiness and Force Management

Mr. Frederick E. Vollrath was appointed as the Principal Deputy Assistant Secretary of Defense for Readiness and Force Management on March 26, 2012. In addition, he is performing the duties of the Assistant Secretary of Defense for Readiness and Force Management (ASD(R&FM)).

Mr Vollrath is responsible for all matters related to civilian and military personnel policy, readiness of the force, military community and family policy and diversity management and equal opportunity. Additionally, Mr Vollrath provides oversight of subordinate activities, including the day-to-day supervision of the Department of Defense Education Activity (DoDEA) and Defense Commissary Agency (DeCA).

Prior to his appointment, Mr Vollrath accumulated over 40 years human resource management and executive leadership experience, including information technology management, organizational development, business transformation, business development and strategic planning. He last served as the President of Vollrath Consulting, providing human resource consulting to businesses and government organizations with emphasis on strategic level efficiencies and business growth. He also served as the Vice President of Human Resources for Computer Sciences Corporation, a Fortune 150 information technology services company, from 1999 – 2006, leading global human resource management through the establishment of policy and programs to align operations with corporate business strategy; development of human resources strategy and implementation plans; and consolidation of human resource operations into a centralized leveraged services organization.

Mr Vollrath retired from the U.S. Army in 1998 in the rank of Lieutenant General after serving 35 years in human resource management command and staff positions. He last served as the U.S. Army's Deputy Chief of Staff for Personnel (G-1), where he directed all aspects of human resources management and administration for the total Army.

Mr Vollrath holds a Bachelor of Business Administration in Management from the University of Miami and a Master of Arts in Personnel Management from Central Michigan University. He is a Professional Member, Society of Human Resource Management (SHRM); a member of the Senior Executives Human Resources Round Table, UCLA; past member of the Advisory Board for California State University in

Dominguez Hills; Co-chair of the Army Chief of Staff Retiree Council; and President of the Maude Foundation.

His military awards and decorations include the Distinguished Service Medal, Legion of Merit, Bronze Star, Meritorious Service Medal, and Army Commendation Medal.

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DOD CIVILIAN WORKFORCE

Observations on DOD's Efforts to Plan for Civilian Workforce Requirements

Statement of Brenda S. Farrell
Director, Defense Capabilities and Management

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Highlights

Highlights of GAO-12-962T, a testimony before the Subcommittee on Readiness, Committee on Armed Services, House of Representatives.

DOD CIVILIAN WORKFORCE

Observations on DOD's Efforts to Plan for Civilian Workforce Requirements

Why GAO Did This Study

DOD's workforce of 783,000 civilians performs a wide variety of duties, including some traditionally performed by military personnel, such as mission-essential logistics support and maintenance, as well as providing federal civilian experts to Afghanistan and other theaters of operations.

With the long-term fiscal challenges facing the nation, reductions to the civilian workforce may be considered to achieve cost savings. Human capital has remained a critical missing link in reforming and modernizing the federal government's management practices, even as legislation and other actions since 1990 have been put in place to address major management areas. In the past, GAO has observed that the federal government has often acted as if people were costs to be cut rather than assets to be valued. DOD previously experienced significant downsizing in the 1990s where it did not focus on reshaping the civilian workforce in a strategic manner. Particularly as decision makers consider proposals to reduce the civilian workforce, it will be critical to DOD's mission for the department to have the right number of federal civilian personnel with the right skills.

This testimony discusses DOD's 1) prior experience with civilian workforce downsizing, and 2) current strategic human capital planning efforts.

This testimony is based on GAO reviews issued from March 1992 through June 2012.

View GAO-12-962T. For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov

What GAO Found

Prior Department of Defense (DOD) civilian workforce downsizing efforts in the 1990s were not oriented toward shaping the makeup of the workforce, resulting in significant imbalances in terms of shape, skills, and retirement eligibility. Specifically, in a series of reviews GAO found that DOD's efforts in the 1990s to reduce its federal civilian workforce to levels below that of 1987 were hampered by incomplete data and lack of a clear strategy for avoiding skill imbalances and other adverse effects of downsizing. For instance, in 1992, GAO found that DOD used incomplete and inconsistent data related to workers, workload, and projected force reductions. Further, the approaches DOD has relied on to accomplish downsizing have sometimes had unintended consequences. The use of voluntary attrition, hiring freezes, and financial separation incentives allowed DOD to mitigate some adverse effects of civilian workforce reductions, but were less oriented toward shaping the makeup of the workforce than was the approach the department used to manage its military downsizing. For DOD, this was especially true of the civilian acquisition workforce. The department, which in 2011 obligated about $375 billion to acquire goods and services, was put on the verge of a retirement-driven talent drain in this workforce after 11 consecutive years of downsizing, according to a DOD report. Finally, GAO has found that the use of strategies such as financial separation incentives makes it difficult to document or estimate the actual cost savings of government downsizing efforts, especially in cases where the work previously performed by the eliminated personnel continues to be required. For example, if the work continues to be required, it may need to be contracted out to private companies and contract costs should be considered in determining whether net savings resulted from workforce reductions.

DOD has taken positive steps towards identifying its critical skills, but there are opportunities to enhance the department's current strategic workforce plans. GAO and the Office of Personnel Management have identified leading principles to incorporate into effective workforce plans, such as the need to identify and address critical skills and competencies. DOD has been required to have a civilian strategic workforce plan since 2006. Currently, DOD is required to develop a strategic workforce plan that includes, among other things, an assessment of the skills, competencies and gaps, projected workforce trends, and needed funding of its civilian workforce. GAO has found improvements in DOD's efforts to strategically manage its civilian workforce. For instance, GAO reported in 2010 that DOD's 2009 strategic workforce plan assessed critical skills and identified 22 mission-critical occupations, such as acquisition and financial management. However, DOD's plan only discussed competency gap analyses for 3 of its 22 mission-critical occupations, which GAO has reported is key to enabling an agency to develop specific strategies to address workforce needs. For example, GAO found that DOD had not conducted a competency gap analysis for its financial management workforce, and GAO remains concerned that DOD lacks critical information it needs to effectively plan for its workforce requirements. GAO is currently reviewing DOD's latest strategic workforce plan, which was released in March 2012. The results of this review are expected to be released in September 2012.

Chairman Forbes, Ranking Member Bordallo, and Members of the Subcommittee:

Thank you for providing me the opportunity to be here today to discuss GAO's observations on the Department of Defense's (DOD) civilian workforce requirements. Having the right number of federal civilian personnel with the right skills is critical to achieving the DOD mission—particularly as the department faces the current and emerging challenges of the 21st century. DOD's civilian workforce performs a wide variety of duties and responsibilities, including mission-essential combat support functions, such as logistics support and maintenance, which traditionally have been performed by the uniformed military. A key component of this workforce also provides federal civilian experts to Afghanistan and other theaters of operation. Moreover, career civilian personnel possess "institutional memory," which is particularly important in DOD because of the frequent rotation of military personnel and the short tenure of the average political appointee. During its downsizing in the early 1990s, our prior work[1] found that DOD did not focus on reshaping the civilian workforce in a strategic manner. That downsizing resulted in skills imbalances and a workforce characterized by a growing gap between older, experienced employees and younger, less experienced ones. At the time of this downsizing, a common concern often voiced by Defense managers was that workforce constraints were driving workload rather than workload requirements being used to define workforce levels.

With the long-term fiscal challenges facing the nation, reductions to the civilian workforce may be considered to achieve cost savings. Our prior work has noted that an organization's people—its human capital—are its most critical asset in managing for results. However, human capital has remained a critical missing link in reforming and modernizing the federal government's management practices, even as legislation and other actions since 1990 have attempted to address most major management areas. Further, GAO's reports have noted that the federal government has often acted as if people were costs to be cut rather than assets to be valued. In 2001, after a decade of government downsizing and curtailed investments in human capital, we reported that federal human capital strategies were not appropriately constituted to adequately meet the

[1]GAO, *Defense Force Management: Expanded Focus in Monitoring Civilian Force Reductions Is Needed,* GAO/T-NSIAD-92-19 (Washington, D.C.: March 18, 1992).

current and emerging needs of the government and the country's citizens in the most effective, efficient, and economical manner possible. That same year, we designated strategic human capital management across the entire federal government as a high-risk area[2] because of the long-standing lack of leadership in the area and, in part, because critical skill gaps could undermine agencies' abilities to accomplish their missions. While significant progress has been made—for example, through the various authorities and flexibilities provided to agencies for managing the federal workforce—the area remains high risk governmentwide[3] because of a need to develop and implement plans to address current and emerging critical skill gaps that are undermining agencies' abilities to meet their vital missions. The federal government's current budget and long-term fiscal pressures underscore the importance of a strategic and efficient approach to human capital management—an approach that would help ensure the recruitment and retention of individuals with the needed critical skills. Specifically, with regard to DOD, our subsequent work has emphasized that effective planning can enable the department to have the right people, with the right skills, doing the right jobs, in the right places, at the right time by making flexible use of its internal workforce and appropriately using contractors. Particularly as decision makers consider proposals to reduce the civilian workforce, it will be critical to DOD's mission for the department to have the right number of federal civilian personnel with the right skills.

My testimony today will discuss our observations on (1) DOD's prior experience with civilian workforce downsizing, and (2) its current strategic human capital planning efforts. For this testimony, we relied on our prior work on a range of governmentwide and human capital-related issues. We conducted the work supporting our prior reports, which were issued from March 1992 through June 2012, in accordance with generally accepted government auditing standards.

[2]GAO, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[3]GAO, *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: February 2011).

Prior Civilian Workforce Reductions Demonstrate the Importance of Strategic Workforce Planning

GAO's body of work related to prior workforce reductions at DOD and other organizations demonstrates the importance of strategic workforce planning, including a consideration of costs, to help ensure that DOD has a fully capable workforce to carry out its mission. According to GAO's *Standards for Internal Control*,[4] management should ensure that skill needs are continually assessed and that the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Section 322 of the National Defense Authorization Act for Fiscal Year 1991 directed DOD to establish guidelines for reductions in the number of civilian workers employed by industrial or commercial type activities. The act also directed certain DOD agencies or components to submit 5 year master plans for those workers, providing information on workload, demographics, and employee furloughs and involuntary separations, with the materials submitted to Congress in support of the budget request for fiscal year 1991.[5] Subsequently, in 1992, we reported that DOD intended to undertake a multiyear downsizing effort aimed at reducing the civilian workforce by nearly 229,000 positions, or to 20 percent below its fiscal year 1987 levels. However, in 2000, we reported that DOD's approach to prior force reductions was not oriented toward shaping the makeup of the workforce, resulting in significant imbalances in terms of shape, skills, and retirement eligibility.

In a series of subsequent reviews,[6] we found that the department's efforts were hampered by incomplete data and the lack of a clear strategy for avoiding the adverse effects of downsizing and minimizing skills imbalances. For instance, we reported in 1992 that DOD's 1991 downsizing plan developed in response to section 322 had a number of data gaps and limitations, including incomplete and inconsistent data related to workload, workers, and projected force reductions. More specifically, DOD pointed out that the plan's data limitations were partly due to uncertainty about the results of a pending Base Closure and

[4]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

[5]The National Defense Authorization Act for Fiscal Year 1991, Pub. L. No. 101-510, §322 (1990).

[6]GAO, *Defense Force Management: Expanded Focus in Monitoring Civilian Force Reductions Is Needed*, GAO/T-NSIAD-92-19 (Washington, D.C.: March 18, 1992); and *Defense Force Management: Challenges Facing DOD as It Continues to Downsize Its Workforce*, GAO/NSIAD-93-123 (Washington, D.C.: February 12, 1993).

Realignment round and the impacts of Operations Desert Shield and Desert Storm. We concluded that broader assessments were needed to determine the magnitude of civilian workforce reductions and their potential impact on given areas and regions, as well as the impact of hiring constraints on the ability of all DOD civilian organizations to efficiently and effectively accomplish their missions.

We also have reported[7] that the approaches DOD has relied on to accomplish past civilian workforce downsizing have sometimes had unintended consequences, such as workforce skills imbalances. For instance, DOD's approach to past civilian downsizing relied primarily on voluntary attrition and retirements and varying freezes on hiring authority to achieve force reductions, as well as the use of existing authorities for early retirements to encourage voluntary separations at activities facing major reductions-in-force. The National Defense Authorization Act for Fiscal Year 1993 authorized a number of transition assistance programs for civilian employees, including financial separation incentives—"buyouts"—to induce the voluntary separation of civilian employees.[8] DOD credited the use of these separation incentives, early retirement authority, and various job placement opportunities in its avoidance of nearly 200,000 involuntary demotions and separations. The tools available to DOD to manage its civilian downsizing helped mitigate some adverse effects of force reductions. However, DOD's approach to civilian workforce reductions was less oriented toward shaping the makeup of the workforce than was the approach it used to manage its military downsizing and resulted in significant imbalances in terms of shape, skills, and retirement eligibility. We also reported[9] that, while managing force reductions for its uniformed military, DOD followed a policy of trying to achieve and maintain a degree of balance between its accessions and losses in order to "shape" its uniformed forces in terms of rank, years of service, and specialties. In contrast, we did not see as much attention devoted to planning and managing civilian workforce reductions.

[7]GAO, *Human Capital: Strategic Approach Should Guide DOD Civilian Workforce Management*, GAO/T-GGD/NSIAD-00-120 (Washington, D.C.: March 9, 2000).

[8]The National Defense Authorization Act for Fiscal Year 1993, Pub. L. No. 102-484, §4465 (1992).

[9]GAO/T-NSIAD-92-19.

Moreover, the Acquisition 2005 Task Force's final report[10] found, for instance, that this was especially true of the civilian acquisition workforce, which from September 1989 to September 1999 was reduced by almost 47 percent. This rate of reduction substantially exceeded that of the rest of the DOD workforce. Eleven consecutive years of downsizing produced serious imbalances in the skills and experience of the highly talented and specialized civilian acquisition workforce, putting DOD on the verge of a retirement-driven talent drain.

Our work on the downsizing conducted by other organizations adds further perspective on some challenges associated with certain strategies and the need to conduct effective planning when downsizing a workforce. In 1995, we conducted a review[11] of downsizing undertaken by 17 private companies, 5 states, and 3 foreign governments, generally selected because they were reputed to have downsized successfully. We reported that a number of factors may constrain organizations' downsizing strategies, such as public sentiment, budget limitations, legislative mandates to maintain certain programs, and personnel laws. Moreover, we found that using attrition as a sole downsizing tool can result in skills imbalances in an organization's workforce because the employees who leave are not necessarily those the organization determined to be excess. Further, we also found that attrition is often not sufficient to reduce employment levels in the short term. In addition, some workforce reduction strategies have been found to slow the hiring, promotion, and transfer process and create skills imbalances. However, we found that one key theme emerged from such downsizing efforts. Specifically, most organizations found that workforce planning had been essential in identifying positions to be eliminated and pinpointing specific employees for potential separation. In organizations where planning did not occur or was not effectively implemented, difficulties arose in the downsizing. For example, we reported that a lack of effective planning for skills retention can lead to a loss of critical staff, and that an organization that simply reduces the number of employees without changing work processes will likely have staffing growth recur eventually.

[10]The Acquisition 2005 Task Force, *Final Report: Shaping the Civilian Acquisition Workforce of the Future* (October 2000).

[11]GAO, *Workforce Reductions: Downsizing Strategies Used in Select Organizations*, GAO/GGD-95-54 (Washington, D.C.: March 13, 1995).

We have also identified the potential cost implications of downsizing in our prior work. In 1995, we reported that the savings realized from government downsizing efforts are difficult to estimate. Payroll savings attributed to workforce reductions would not be the amount of actual savings to the federal government from the personnel reductions because of other costs associated with such efforts—for example, separation incentives— or, in the case of reductions-in-force, severance pay. In addition, the ultimate savings would depend on what happened to the work previously performed by the eliminated personnel. For example, if some of the work was contracted out to private companies, contract costs should be considered in determining whether net savings resulted from workforce reductions.

In 2001, we concluded that, considering the enormous changes that DOD's civilian workforce had undergone and the external pressures and demands faced by the department, taking a strategic approach to human capital would be crucial to organizational results. As I will discuss further, this is no less true today than it was in 2001.

Opportunities Exist for DOD to Enhance Its Strategic Human Capital Planning

I turn now to opportunities we have identified for DOD to enhance its strategic human capital planning. Since the end of the Cold War, the civilian workforce has undergone substantial change, due primarily to downsizing, base realignments and closures, competitive sourcing initiatives, and DOD's changing mission. For example, between fiscal years 1989 and 2002, DOD's civilian workforce shrank from 1,075,437 to 670,166—about a 38 percent reduction. According to the department, as of January 2012, DOD's total civilian workforce had grown to include about 783,000 civilians.[12] As I have noted, the achievement of DOD's mission is dependent in large part on the skills and expertise of its civilian workforce, and today's current and long-term fiscal outlook underscore the importance of a strategic and efficient approach to human capital management. The ability of federal agencies to achieve their missions and carry out their responsibilities depends in large part on whether they can sustain a workforce that possesses the necessary education, knowledge, skills, and competencies. Our work has shown that successful public and private organizations use strategic management

[12]This workforce total is based on Defense Civilian Personnel Data Service data as of January 31, 2012 obtained from the Defense Civilian Personnel Advisory Service monthly update briefing entitled *DOD Demographics as of Jan. 31, 2012*,

approaches to prepare their workforces to meet present and future mission requirements. Preparing a strategic human capital plan encourages agency managers and stakeholders to systematically consider what is to be done, how it will be done, and how to gauge progress and results. While the department has made progress adopting some of these approaches, we remain concerned that some missing key elements of strategic workforce planning will hinder DOD's ability to most effectively and efficiently achieve its mission.

As we have reported in the past, federal agencies have used varying approaches to develop and present their strategic workforce plans. To facilitate effective workforce planning, we and the Office of Personnel Management have identified six leading principles such workforce plans should incorporate, including:

- aligning workforce planning with strategic planning and budget formulation;
- involving managers, employees, and other stakeholders in planning;
- identifying critical skills and competencies and analyzing workforce gaps;
- employing workforce strategies to fill the gaps;
- building the capabilities needed to support workforce strategies through steps to ensure the effective use of human capital flexibilities; and
- monitoring and evaluating progress toward achieving workforce planning and strategic goals.

The application of these principles will vary depending on the particular circumstances the agency faces. For example, an agency that is faced with the need for a long lead time to train employees hired to replace those retiring and an increasing workload may focus its efforts on estimating and managing retirements. Another agency with a future workload that could rise or fall sharply may focus on identifying skills to manage a combined workforce of federal employees and contractors.

Over the past few years, Congress has enacted a number of provisions requiring DOD to conduct human capital planning efforts for its overall civilian, senior leader, and acquisition workforces and provided various

tools to help manage the department's use of contractors, who augment DOD's total civilian workforce. For example, the National Defense Authorization Act for Fiscal Year 2006 directed DOD to create and periodically update a strategic human capital plan that addressed, among other things, the existing critical skills and competencies of the civilian workforce as well as projected needs, gaps in the existing or projected civilian workforce, and projected workforce trends.[13] Subsequent acts established additional requirements for the human capital plan, including requirements to assess issues related to funding of its civilian workforce.[14]

We have closely monitored DOD's efforts to address the aforementioned requirements. In our September 2010 review of DOD's 2009 update to its human capital strategic plan[15] we found that, although DOD had demonstrated some progress in addressing the legislative requirements related to its Civilian Human Capital Strategic Workforce Plan, several key elements continued to be missing from the process—including such elements as competency gap analyses and monitoring of progress. Our work found that DOD's plan addressed the requirement to assess critical skills. Specifically, the overall civilian workforce plan identified 22 mission-critical occupations[16] that, according to the department, represent the results of its assessment of critical skills. According to DOD, mission-critical occupations are those occupations that are key to current and future mission requirements, as well as those that present a challenge regarding recruitment and retention rates and for which succession

[13]The National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163. § 1122 (2006).

[14]See, for example, The John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364. § 1102 (2006); The National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 851 (2008); The National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, § 1108 (2009); and The National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81, §935 (2011). See also 10 U.S.C. §115b, for the current requirements.

[15]GAO, *Human Capital: Further Actions Needed to Enhance DOD's Civilian Strategic Workforce Plan*, GAO-10-814R (Washington, D.C.: September 27, 2010).

[16]DOD has identified 24 enterprisewide mission-critical occupations; 22 of these occupations are associated specifically with the overall civilian workforce and are discussed in the strategic workforce plan, while, the remaining 2 are acquisition-related occupations—contracting and quality assurance—and are discussed in the *Defense Acquisition Workforce Improvement Strategy* (published as a separate report).

planning is needed. Examples of mission-critical occupations include (1) contracting, (2) accounting, and (3) information technology management.

However, as noted, DOD's plan lacked such key elements as competency gap analysis and monitoring of progress. Our prior work[17] identified competency gap analyses and monitoring progress as two key elements in the strategic workforce planning process. Competency gap analyses enable an agency to develop specific strategies to address workforce needs and monitoring progress demonstrates the contribution of workforce planning to achieving program goals. For example, at the time of our review, because the plan discussed competency gap analyses for only 3 of the 22 mission-critical occupations and did not discuss competency gaps for the other 19 mission-critical occupations, we determined that the requirement was only partially addressed. Moreover, DOD was in the initial stages of assessing competency gaps for its senior leader workforce, but it had not completed the analysis needed to identify gaps. Without including analyses of gaps in critical skills and competencies as part of its strategic workforce planning efforts, DOD and the components may not be able to design and fund the best strategies to fill their talent needs through recruiting and hiring or to make appropriate investments to develop and retain the best possible workforce. Further, DOD leadership may not have information necessary to make informed decisions about future workforce reductions, should further reductions to its workforces become necessary.[18] We currently have ongoing work assessing DOD's 2010 Strategic Workforce Plan, which the department released in March 2012. The results of this review are expected to be released in September 2012.

In light of the challenges DOD has faced in its strategic workforce planning, we support the department's participation in efforts being made across the federal government to address governmentwide critical skills gaps. Currently, the Office of Personnel Management and DOD are

[17]GAO, *DOD Civilian Personnel: Comprehensive Strategic Workforce Plans Needed*, GAO-04-753 (Washington, D.C.: June 2004).

[18]In May 2010, the Secretary of Defense directed DOD to undertake a department-wide efficiency initiative to assess how the department is staffed, organized, and operated; the goal was to reduce excess overhead costs and to reinvest the resulting savings in sustaining the force structure and modernizing the weapons portfolio of the department. As part of this initiative, the Secretary directed the department to freeze the number of Office of the Secretary of Defense, defense agency, field activity, Joint Staff, and Combatant Command billets at the fiscal year 2010 levels for the next three years.

leading a working group comprised of members of the Chief Human Capital Officers Council tasked with (1) identifying mission-critical occupations and functional groups, (2) developing strategies to address gaps in these occupations and groups, and (3) implementing and monitoring these strategies.

Our reviews of DOD's acquisition, information technology, and financial management workforces—which include a number of DOD's identified mission-critical occupations—amplifies some of our overarching observations related to strategic workforce planning. In fiscal year 2011 alone, DOD obligated about $375 billion to acquire goods and services to meet its mission and support its operations in the United States and abroad. As noted, our prior work found that the significant reductions to the acquisition workforce in the 1990s produced serious imbalances in the skills and experience of this highly talented and specialized workforce. The lack of an adequate number of trained acquisition and contract oversight personnel has, at times, contributed to unmet expectations and placed DOD at risk of potentially paying more than necessary. Our February 2011 high-risk report noted that DOD needs to ensure that its acquisition workforce is adequately sized, trained, and equipped to meet department needs. We further reported in November 2011 that the department has focused much-needed attention on rebuilding its acquisition workforce and made some progress in terms of growing the workforce, identifying the skills and competencies it needed, and used such information to help update its training curriculum.

While DOD has acknowledged that rebuilding its acquisition workforce is a strategic priority, our most recent review[19] of the Defense Acquisition Workforce Development Fund found that DOD continues to face challenges in strategic workforce planning for its acquisition workforce.[20]

[19]GAO, *Defense Acquisition Workforce: Improved Processes, Guidance, and Planning Needed to Enhance Use of Workforce Funds*, GAO-12-747R (Washington, D.C.: June 20, 2012).

[20]In section 852 of the National Defense Authorization Act for Fiscal Year 2008, Congress established the Defense Acquisition Workforce Development Fund to help alleviate some long standing challenges and provide additional funds for the recruitment, training, and retention of acquisition personnel. In authorizing the Defense Acquisition Workforce Development Fund, Congress noted that its intention was to ensure that the DOD acquisition workforce has the capacity—both in personnel and skills—needed to properly perform its mission, provide appropriate oversight of contractor performance, and ensure that the department receives the best value for the expenditure of resources.

Specifically, we found that DOD lacks an overarching strategy to clearly align this fund with its acquisition workforce plan. The department has also not developed outcome-related metrics, such as the extent to which the fund is helping DOD address its workforce skills and competencies gaps. Moreover, we remain concerned that the acquisition workforce continues to face challenges in terms of the age and retirement eligibility of its members. According to the most recent reported data from the Federal Acquisition Institute, as of December 2011, the average age of the acquisition workforce ranged from 47 years to 51.7 years, with at least 36 percent of the workforce becoming eligible to retire over the next 10 years.

We have also identified a number of challenges associated with DOD's workforce planning for its financial management and information technology workforces. With regard to the financial management workforce, we reported[21] in July 2011 that DOD's financial management has been on GAO's high-risk list since 1995 and, despite several reform initiatives, remains on the list today. Specifically, we noted that effective financial management in DOD will require a knowledgeable and skilled workforce that includes individuals who are trained and certified in accounting. DOD accounting personnel are responsible for accounting for funds received through congressional appropriations, the sale of goods and services by working capital fund businesses, revenue generated through nonappropriated fund activities, and the sales of military systems and equipment to foreign governments or international organizations. According to DOD's fiscal year 2012 budget request, the Defense Finance and Accounting Service[22] processed approximately 198 million payment-related transactions and disbursed over $578 billion in fiscal year 2010. However, we also reported in July 2011 that DOD's strategic workforce plan lacked a competency gap analysis for its financial management workforce, thus limiting the information DOD has on its needs and gaps in that area and the department's ability to develop an effective financial management recruitment, retention, and investment strategy to address other financial management challenges. With regard

[21]GAO, *DOD Financial Management: Numerous Challenges Must Be Addressed to Improve Reliability of Financial Information*, GAO-11-835T (Washington, D.C.: July 27, 2011).

[22]The Defense Finance and Accounting Service was created on November 26, 1990 as DOD's accounting agency to consolidate, standardize, and integrate finance and accounting requirements, functions, procedures, operations, and systems.

to DOD's information technology workforce, we reported[23] in November 2011 that, as threats to federal information technology infrastructure and systems continue to grow in number and sophistication, the ability to secure these infrastructure and systems will depend on the knowledge, skills, and abilities of the federal and contractor workforce that implements and maintains these systems. We noted that DOD's information assurance workforce plan—which addresses information technology—incorporates critical skills, competencies, categories, and specialties of the information assurance workforce, but only partially describes strategies to address gaps in human capital approaches and critical skills competencies.

DOD's workforce is comprised of military personnel, civilians, and contractors. DOD has acknowledged, however, that with approximately 30 percent of its workforce eligible to retire by March 31, 2015, and the need to reduce its reliance on contractors to augment the current workforce, it faces a number of significant challenges. Our September 2010 review of DOD's strategic workforce plan found that the department had issued a directive stating that missions should be accomplished using the least costly mix of personnel (military, civilian, and contractors) consistent with military requirements and other needs. However, the department's workforce plan did not provide an assessment of the appropriate mix of military, civilian, and contractor personnel capabilities. More recently, the House Report[24] accompanying a proposed bill for the National Defense Authorization Act for Fiscal Year 2013 directs GAO to assess what measures DOD is taking to appropriately balance its current and future workforce structure against its requirements. Specifically, we plan for our review to include: (1) the process by which DOD identified its civilian workforce requirements, taking into consideration the withdrawal from Iraq and impending withdrawal from Afghanistan; and (2) the analysis done by DOD to identify core or critical functions, including which of those functions would be most appropriately performed by military, civilian, or contractor personnel. Our report is due to the Armed Services Committees of the House and Senate by March 15, 2013.

[23]GAO, *Cybersecurity Human Capital: Initiatives Need Better Planning and Coordination*, GAO-12-8 (Washington, D.C.: November 29, 2011).

[24]H.R. Rep. No. 112-479, at 196-197 (2012), which accompanies H.R. 4310, 112th Cong. (2012).

In conclusion, DOD has a large, diverse federal civilian workforce that is key to maintaining our national security. However, as we have noted, DOD's workforce also includes military and contractor personnel and changes made to one of these groups may impact the others. As such, we are currently assessing the measures the department is taking to appropriately balance its current and future workforce structure and its requirements.

Chairman Forbes, Ranking Member Bordallo, this concludes my prepared remarks. I would be happy to respond to any questions that you or other Members of the Subcommittee may have at this time.

Contacts and Acknowledgments

For future questions about this statement, please contact Brenda S. Farrell, Director, Defense Capabilities and Management, at (202) 512-3604 or farrellb@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include Margaret Best, Assistant Director; Spencer Tacktill; Jennifer Weber; Erik Wilkins-McKee; Nicole Willems; and John Van Schaik. In addition, Penny Berrier, Mark Bird, Timothy DiNapoli, Gayle Fischer, Steven Lozano, Belva Martin, Carol Petersen, and Rebecca Shea made contributions to this report.

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Short Bio for Brenda S. Farrell
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In April 2007, Ms. Farrell was appointed to serve as a director in GAO's Defense Capabilities and Management Team where she is responsible for military and civilian personnel issues, including related medical readiness issues. Prior to her appointment with the Defense Capabilities and Management Team, Ms. Farrell served for 14 months as an Acting Director for GAO's Strategic Issues Team where she was responsible for overseeing three major bodies of work related to strategic human capital management, government regulation, and decennial census issues. Before joining the Strategic Issues Team, Ms. Farrell was an Assistant Director for Defense Capabilities and Management and led military personnel engagements encompassing military pay and benefits, Reserve and National Guard mobilization issues, and senior military officer requirements and career development. Ms. Farrell began her career at GAO in 1981, and has served in a number of issue areas associated with national security issues. She received her bachelor's degree in sociology from the University of Louisville. In 2000/2001, she attended the National Defense University, Industrial College of the Armed Forces and earned a master's degree in national resources strategy. Ms. Farrell completed the leadership development program at Eckerd College in 2004, and in 2005, she completed the Senior Executive Fellow Program at Harvard University. In March 2007, she graduated from the CAPSTONE program at the National Defense University for newly appointed general and flag officers being the first GAO SES to complete this program. Ms. Farrell was the project director for a seminar on organizational transformation, co-sponsored by GAO, the World Bank, and the INTOSAI Development Initiative, held in November 2007, for the heads of Supreme Audit Institutions. Most notable is Ms. Farrell's body of work on DOD's Personnel Security Clearance Program that helped lead to the removal of this program from GAO's High Risk List in 2011. To date, this program is the only DOD area to be removed the high risk list. Ms. Farrell was the recipient of a GAO meritorious award for sustained extraordinary performance leading multiple, highly complex, defense reviews, as well as numerous other awards including several Results through Teamwork awards, and awards for high quality products.

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

JULY 26, 2012

RESPONSE TO QUESTION SUBMITTED BY MR. FORBES

Mr. VOLLRATH. The Department is committed to improving its strategic workforce planning capabilities in order to fully meet the requirements of section 115b of title 10, United States Code by fiscal year (FY) 2015. A key challenge is normalizing data and requirements across the military and civilian workforces, as well as contracted support, in order to accurately assess and project future needs. The Department has made considerable progress in developing and implementing practical tools and strategies to make data-driven decisions in managing mission-critical skills.

The current FY10–18 DOD Strategic Workforce Plan (SWP) was delivered to Congress in March 2012. The plan provides details on the steps already taken and the way ahead to meet the 2015 goal (see summary table below). Following are some specific examples of steps taken since FY10 to improve the SWP and institutionalize use of the plan for workforce shaping decisions.

The Department expanded its functional communities from 12 to 23 to cover all major occupations in the workforce versus only the Mission Critical Occupations (MCOs) covered in previous plans.

DOD led a Federal-wide initiative to develop new government-wide criteria for determining MCOs based on mission goals and priorities, and determining high-risk skills based on staffing and competency gaps. As a result, 33 DOD MCOs, including three high-risk MCOs, were identified in March 2012 based on the new criteria.

In October 2011, the Department issued guidance on reframing the DOD SWP and issued additional guidance in November 2011 on the enterprise competency management framework.

A new governance structure for strategic human capital management was also implemented providing integrated decisions between functional community and component leaders in the expanded functional community construct.

The Department implemented standard competency taxonomy for identifying and assessing occupational competencies across the workforce. Competency models for all DOD MCOs will be in place by the end of 2012, and a DOD-wide tool for assessing employee competency gaps is planned for deployment in 2013.

Additional initiatives are underway to improve total force data and requirements needed for a comprehensive approach to assess total force mix, implement more robust enterprise planning tools for use across the Department, and strengthen and mature workforce planning capability and results. [See page 28.]

Reframing the DoD SWP	
CURRENT STATE (FY 2009-10)	**FUTURE STATE (BY FY 2015)**
Planning Requirements	**Planning Requirements**
1. Workforce plan based on NDAA criteria • NDAA FY 09: Fully Met 5; Partially Met 9 • NDAA FY 10: Fully met 7; Partially Met 7 (Added results oriented performance measures, Component Reports) 2. Focus on forecasting for Mission Critical Occupation (MCO) staffing 3. Strategies based on requirements gap analysis 4. Funding for strategies not addressed	1. NDAA Requirements fully met for all MCOs 2. Focus on forecasting, MCOs and competency development and assessment 3. Strategies based on competency gap analysis for all MCOs 4. Funding in place to support planning process, tools, and implementation strategies
Governance, Structure and Measures	**Governance, Structure and Measures**
5. Established and partially staffed a Strategic Human Capital Planning Office 6. Established and institutionalized a Functional Community framework for MCOs 7. Established results-oriented performance measures and progress made towards meeting baseline goals 8. Informal governance via Functional Community Managers (FCM), Component Integrator, and Civilian Personnel Policy Council meetings	5. Expanded and fully staffed the Strategic Human Capital Planning Office 6. Functional Community framework covers all major occupations in civilian workforce 7. Monitor progress and evaluation of strategy solutions based on results-oriented performance measures 8. Formal governance structure: • Defense Human Resources Board • FCM/CPPC Executive Steering Committee • Functional Community Advisory Group
Functional Communities & MCOs	**Functional Communities & MCOs**
9. Established Rolling Wave Maturity Model for maturing Functional Communities 10. MCOs Cover <40% of civilian workforce 11. 12 Functional Communities • 24 MCOs • 12 cross-cutting mission critical functions (SES, Leadership, CEW, National Security Professional, Science & Technology Research Labs) 12. Developed MCO strategies for recruitment, development and retention based on staffing gaps	9. Functional Communities and Components are at optimum planning and reporting levels based on Rolling Wave Maturity Model 10. Functional Communities cover all major DoD occupations in civilian workforce 11. 24 Functional Communities • Number of MCOs to be determined by FCMs based on redefined risk criteria • 1 cross-cutting mission critical function (SES) 12. Strategies based on competency gap analyses & implemented across Functional Communities
Competency Development and Assessment	**Competency Development and Assessment**
13. Competency models developed for some MCOs with few competency gap assessments 14. Competency modeling and HR lifecycle processes not fully integrated (e.g., development of position descriptions, selection assessment questionnaires) 15. Development of methodologies are time and resource intensive 16. Workforce competency surveys are stand alone and time consuming to complete 17. No DoD-wide assessment tool (multiple component tools with redundant functionality) 18. No DoD-wide career roadmaps	13. Competency models, assessments and gap analysis in place for all major occupations in civilian workforce 14. Long-term, integrated HR lifecycle competency management solution defined 15. Streamlined methodology requires fewer subject matter experts (SME), shorter timeframe, and allows for virtual panels 16. Workforce competency surveys within assessment tool 17. Defense Competency Assessment Tool (DCAT) developed and implemented across Department 18. Career roadmaps exist for majority of occupations

RESPONSE TO QUESTION SUBMITTED BY MR. RUNYAN

Mr. VOLLRATH. The Office of Personnel Management (OPM) has authority to redefine Federal Wage System (FWS) wage areas and to assign geographic designations to a specific wage area. The Federal Prevailing Rate Advisory Committee (FPRAC), comprised of labor and management members, makes recommendations for wage area changes to the Director of OPM. The FPRAC majority recently made a recommendation to the Director of OPM to realign many wage areas. [See page 17.]

RESPONSES TO QUESTIONS SUBMITTED BY MR. PALAZZO

Mr. VOLLRATH. As of June 30, 2012, the number of DOD civilians with prior military experience or veteran status is 336,229, representing 42.99% of the total DOD civilian workforce. [See page 20.]

Component	Retirees	% of Total Component	Other Vets	% of Total Component	Not prior Military	% of Total Component	# DoD Civilians	% DoD Civilians
Army	46,177	17.93%	79,095	30.71%	132,314	51.37%	257,586	32.94%
Navy	35,333	17.54%	50,463	25.05%	115,687	57.42%	201,483	25.76%
Air Force	37,936	25.00%	49,095	32.35%	64,720	42.65%	151,751	19.40%
DoD AGY/ACT	13,041	11.47%	25,089	22.06%	75,590	66.47%	113,720	14.54%
National Guard					57,489	100.00%	57,489	7.35%
Sum:	132,487	16.94%	203,742	26.05%	445,800	57.01%	782,029	100.00%

DCPDS data as of 06/30/2012

Mr. VOLLRATH. In Fiscal Year (FY) 2012, as of June 30, the Department of Defense has removed or terminated 1,936 civilian employees out of a total workforce of 782,029 civilian employees due to unacceptable or unsatisfactory performance, misconduct, or delinquency. This figure represents 0.24% of the total workforce (less than 1%). In FY 2011, the Department removed or terminated 2,587 civilian employees for similar reasons. [See page 21.]

Mr. VOLLRATH. Federal civilian employees do not receive combat zone income tax exclusion. Section 112 of title 26, United States Code provides tax benefits for military members serving in combat zones, but there is currently no comparable provision for Federal civilians. [See page 21.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JULY 26, 2012

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. How is DOD managing its future force structure requirements in light of the reductions in military personnel as you draw down in Iraq and Afghanistan? And, specifically, is the DOD expecting to reduce its civilian and contractor workforce commensurate with the military personnel reductions? If not, why not?

Mr. VOLLRATH. Currently proposed reductions in military end-strength are linked to declines in our current overseas commitments; expiration of the temporary end-strength increases associated with Operations Iraqi and Enduring Freedom; revised strategy, posture and operational planning; and changes to our force structure. The military reductions currently planned for ensure that the Active Duty end-strength of the Department is nearly the same as it was prior to September 11, 2001. Under the current budget plan, ground force capabilities within the Army and Marine Corps will remain at slightly above 2011 levels, while Navy and Air Force levels decrease. These decreases are attributable to reductions in ship and aircraft inventories and modernization of the respective fleets.

The Department's FY 2013 budget reflects a balanced workforce that reflects our best judgment, representing a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality without placing national security and our overall defense posture at risk.

The Department's sourcing of functions and work among military, civilian, and contracted services must be consistent with workload requirements, funding availability, readiness and management needs, as well as applicable laws and guidance. Even during this period of constrained defense budgets, we must ensure that we have a sufficient number of Federal civilian personnel to meet the support needs of our military forces. We must also be sure that military or Federal civilians are performing all inherently governmental jobs, and that sufficient levels of civilians are available to perform critical oversight, management, and readiness functions of the Department.

The Department also recognizes that we operate in a dynamic and changing environment and must retain the flexibility to adapt our workforces accordingly.

Mr. FORBES. What analysis has DOD undertaken to identify workforce levels based on requirements? Or, are the number of personnel driven by fiscal constraints and budgetary imperatives?

Mr. VOLLRATH. The Fiscal Year (FY) 2013 President's Budget request reflects an objective and reasonable approach to all components of the Total Force: military, Government civilians, and contracted services. During this period of constrained defense budgets, the Department must ensure that a sufficient number of Federal civilian personnel are available to meet the support needs of our military forces and deliver operational readiness. The Department must also prioritize and reduce less critical missions. In an effort to significantly reduce excess overhead costs the Department carried out a number of initiatives beginning in FY 2011 including directing Components to maintain civilian personnel, with certain exemptions and exceptions, at FY 2010 levels. Components were directed to make trade-offs and separate core mission workload and requirements from less compelling support needs based on organizational assessments and mission/function prioritization. This reflects a commitment to challenge workload requirements and size our workforce to meet our most pressing and critical priorities. Exceptions to this have been granted on a case by case basis, where justified by workload or other specific rationales.

Mr. FORBES. What analyses has the DOD completed in order to determine the core or critical functions that would be most appropriately performed by each category—civilian, military, and contractor workforce? And, what analyses has the DOD done to ensure that it has the right mix of people with the right skills in order to perform these critical functions?

Mr. VOLLRATH. The many Components of the Department execute a wide-range of missions and functions, and as such, have varying skill and capability requirements. These requirements are mission and workload driven, and are affected by operating environment, risk levels, local labor market conditions, and other factors. The Department's "sourcing" of functions and work between military and civilians, or through contracted services, must be consistent with workload requirements,

readiness, and management needs, as well as applicable laws and statute. There are many tools and processes available to help inform such decisions. These include, but are not limited to, the Strategic Workforce Planning construct of functional communities and mission-critical occupations; the inherently governmental and commercial activities inventory; the inventory of contracts for services; and force and infrastructure classifications.

Accordingly, the Department remains committed to ensuring and delivering a balanced, flexible, responsive workforce with the right skills and competencies that: is the appropriate mix of labor; mitigates risk, ensures continuity of operations, and promotes an organic knowledge base; delivers core and critical functions necessary to maintain operational readiness; and ensures mission requirements are met most cost effectively and efficiently. DOD Components request funding and manpower resources based on workload requirements, including the most critical functions necessary to meet their respective missions.

Mr. FORBES. Why has the DOD extended its civilian workforce cap through 2018, and what savings do you expect to garner as a result of which? And, how does DOD reconcile the workforce cap with current law and statute in 10 U.S.C. 129 which precludes such limitations by number of employees?

Mr. VOLLRATH. The Department does not have a cap on its civilian workforce. As part of its budget building process for the past few years, the Department directed that components maintain fiscal year 2010 civilian levels as a departure point for prioritizing and shaping its workforce, and in an effort to ensure resources are applied to our most compelling requirements. DOD organizations may exceed their fiscal year 2010 civilian workforce levels as needed to meet mission and workload requirements, consistent with section 129 of title 10, United States Code. Where necessitated by mission and workload, exceptions to fiscal year 2010 civilian levels may be granted. Those decisions will be reflected in the FY 2014 President's Budget.

Mr. FORBES. How do you expect that sequestration will impact the civilian workforce, and when would DOD be required to notify personnel of an impending Reduction in Force?

Mr. VOLLRATH. We believe that civilian RIFs would result in added costs, or at most only small savings in FY13, so RIFs are not a viable tool for accommodating that FY13 sequester. To accommodate sequester in FY13, we would need to focus more on eliminating temp hires, hiring freezes, and perhaps unpaid furloughs. All of these would harm readiness and our ability to support military operations.

RIFs also do long term damage in the workforce because they are based primarily on length of service as opposed to maintaining a workforce that is responsive to mission needs. RIFs also take time. Involuntary separations conducted under Reduction in Force rules require a 45-day congressional notification followed by a 60-day notification to employees. This can further be complicated by the need to bargain with individual unions. For all these reasons, RIFs are not a viable tool to accommodate sequester.

Mr. FORBES. In light of the fact that 30% of the civilian workforce is eligible to retire in 2015, and 90% of your senior management, how is the DOD managing its workforce and developing critical skills to ensure a viable workforce in the future with the requisite skills?

Mr. VOLLRATH. At the enterprise level, the Department manages its workforce through a functional community construct. The Department forecasts retirements and other losses through the DOD Strategic Workforce Plan (SWP).

DOD and its Components work together to track and manage skill gaps and to develop and implement recruitment, retention, and development strategies to close projected skill gaps due to retirement and other losses.

Current DOD workforce data shows that 20.6% of the overall workforce (GS 1–15 and equivalent) and 51.3% of the senior leader workforce are eligible to retire by the start of 2015. DOD monitors and tracks retirement eligibility in mission-critical occupations (MCOs) on an ongoing basis as part of its SWP process. The goal is to ensure strategies are in place to manage knowledge transfer and succession for critical skills and competencies needed.

Mr. FORBES. How does the Strategic Workforce Plan inform workforce and resource allocation decisions in DOD, if at all?

Mr. VOLLRATH. The DOD Strategic Workforce Plan (SWP) serves as a guide for managing civilian positions across the Department within functional communities and components. The SWP is informed by validated missions. DOD Components request funding and civilian full-time equivalents based on validated workload. By focusing on specific strategies for closing mission-critical and high-risk skills gaps, the SWP guides leaders in making workforce decisions to meet changing mission strategies, environmental and labor market conditions, and budget constraints. Allocated

resources then are aligned by DOD Components to their most critical missions/priorities, informed by workforce gaps identified in the DOD-wide SWP.

Mr. FORBES. How does the DOD synchronize separate and discrete civilian, military and contractor funding decisions and ensure that proposed savings from reducing one category of manpower are not offset by increases in other categories of manpower?

Mr. VOLLRATH. Departmental guidance on manpower management is intended to ensure that Components align the best manpower mix to missions, tasks, and functions and requires associated risk mitigation and consideration of costs. Components prioritize their manpower requirements/funding requests in developing their annual program and budget submissions and may make adjustments within the Total Force mix. Their priorities are a reflection of their requirements, which are driven in part by the National Military Strategy, the Secretary's Defense Planning Guidance, Quadrennial Defense Reviews, and Combatant Command operational planning documents. Once requirements are submitted as part of initial budget submissions, a corporate review is conducted to assess and prioritize requirements in a holistic manner. Where necessary, resource and manpower trade-offs are identified and recommended courses of action are presented to the Secretary of Defense for final decision. Adjustments to manpower requirements, and their mix, can be a result of changes in force structure, mission prioritization, and workload.

Mr. FORBES. What steps is the DOD taking to improve the visibility of contracted services to ensure that such services get the same scrutiny as civilian and military workforce end strengths?

Mr. VOLLRATH. In November 2011, the Department submitted a plan to the Congressional defense committees delineating both short- and long-term actions to fully implement the requirements of section 2330a of title 10, United States Code. As a result of this plan, and subsequent guidance issued in December, the Department will have increased visibility and accountability into contracted services. Specifically, improvements currently underway will enable the Department to more accurately identify contracted level of effort based on direct labor hours and associated data collected from private sector providers. Additionally, DOD Component heads must now certify, in writing, that they have completed comprehensive reviews of their contracted services to ensure appropriate utilization, cost effectiveness, and alignment to mission need and priority. Along with restrictions on contract spending included in the Fiscal Year 2012 National Defense Authorization Act, these reviews will help inform subsequent budget requests, and ensure that requests for contracted services receive scrutiny similar to that afforded civilian personnel levels and military end-strength.

Mr. FORBES. What would be the impact of the SASC NDAA reductions of civilian and contractor workforce by 5% over the next 5 years? And, has the DOD assessed the critical skills it needs to retain in each workforce? If so, what are some examples?

Mr. VOLLRATH. Given the planned decreases to force structure, the streamlined new strategic direction of the Department, and continued fiscal pressures, the Department continues to evaluate the size of our Total Force, including our civilian and contracted services workforces. Any changes must be done in a holistic, analytically based, and responsible manner that is consistent with the Department's responsibilities under sections 129 and 129a of title 10, United States Code.

The Department's civilian and contracted support workforces perform key enabling functions for the operating forces, such as critical training, equipment modernization and reset, medical care, family support, and base operating and infrastructure services—all vital services that support our men and women in uniform. Within these functional communities, the Department has identified 33 mission-critical occupations (MCOs). The DOD's Strategic Workforce Plan forecasts future MCO requirements and provides recruitment, retention, and development strategies to close workforce gaps ensuring that critical skills are maintained in each.

Furthermore, the Department's sourcing of functions and work among military, civilian, and contracted services must be consistent with workload requirements, funding availability, readiness and management needs, as well as applicable laws and guidance. Even during this period of constrained defense budgets, we must ensure that we have a sufficient number of Federal civilian personnel to meet the support needs of our military forces. We must also be sure that military or Federal civilians are performing all inherently governmental jobs, and that sufficient levels of civilians are available to perform critical oversight, management, and readiness functions of the Department.

Mr. FORBES. In the past, GAO has stated that across-the-board cuts could have an adverse effect on essential programs if the DOD does not take a strategic view

of ensuring that those employees with the critical skills needed to perform the DOD's critical functions are not arbitrarily cut. What recommendations would you offer based on previous GAO analysis for how the DOD could best manage that process?

Ms. FARRELL. While we have not evaluated the potential impact of across-the-board cuts on the Department of Defense's (DOD) current workforce, since 2008 we have reviewed DOD's Strategic Human Capital Workforce Plans and identified opportunities for improvement.[1] Our reviews of those plans have found that DOD addressed the requirement to assess its critical skills. Specifically, the overall civilian workforce plan identified 22 mission-critical occupations, which, according to DOD, represent the Department's assessment of critical skills. However, we also found that DOD's plan lacked such key elements as competency gap analysis and monitoring of progress. Our prior work has identified competency gap analyses and monitoring progress as two key elements in the strategic workforce planning process. Specifically, competency gap analyses enable an agency to develop specific strategies to address workforce needs and monitoring progress demonstrates the contribution of workforce planning to the achievement of program goals. As we have reported, without a competency gap analysis, DOD will continue to rely on incomplete information concerning the size, composition, and needs of its civilian workforce. Inclusion of these elements in an agency's strategic workforce planning efforts can help the agency design and fund the best strategies to fill their talent needs through recruiting and hiring and make appropriate investments to develop and retain the best possible workforce.[2]

Mr. FORBES. What observations can you offer regarding DOD's efforts to plan for its civilian workforce requirements? In your estimation, is the implementation of Total Force Management helping to identify the core requirements by workforce type—civilian, military and personnel? And, what improvements could be made in the process to determine requirements and critical skills across the workforce?

Ms. FARRELL. We have reviewed DOD's mandated Strategic Human Capital Workforce Plans since 2008, and found that DOD's earlier efforts did not meet many of the mandated requirements.[3] In our assessment of DOD's original plan, which was submitted to Congress on November 6, 2007, we found that it partially addressed two of the eight statutory requirements.[4] For example, while DOD's plan listed current critical skills that DOD called enterprisewide mission-critical occupations,[5] it lacked a "gap analysis"—an assessment of the difference between the existing and future critical skills and competencies of the civilian workforce. We recommended that DOD provide Congress a plan that addressed all of the legislative requirements. DOD disagreed, noting that its response to the congressional reporting requirements reflected a centralized enterprisewide strategic perspective—as opposed to providing the information specified by law such as recruiting and retention goals. We noted in our 2009 review of DOD's update to the plan that the Department had made progress in implementing the eight statutory requirements in the National Defense Authorization Act for Fiscal Year 2006 when compared with its first plan; however, the 2008 update only partially addressed each of the eight requirements. For example, the update still did not include an assessment of its future enterprisewide mission-critical occupations that cover a 10-year period, as was then required by law. The statutory requirements governing DOD's strategic human capital plans[6] have been amended several times in the intervening period, and we have continued to closely monitor DOD's efforts to address the statutory requirements. In our September 2010 review of DOD's 2009 update to its human capital strategic plan we found that, although DOD had addressed additional legislative requirements, several key elements continued to be missing from the process—including such elements as competency gap analyses and monitoring of progress. Regard-

[1] GAO, Human Capital: Further Actions Needed to Enhance DOD's Civilian Strategic Workforce Plan, GAO–10–814R (Washington, D.C.: Sept. 27, 2010); Human Capital: Opportunities Exist to Build on Recent Progress to Strengthen DOD's Civilian Human Capital Strategic Plan, GAO–09–235 (Washington, D.C.: Feb. 10, 2009); The Department of Defense's Civilian Human Capital Strategic Plan Does Not Meet Most Statutory Requirements, GAO–08–439R (Washington, D.C.: Feb. 6, 2008).

[2] GAO, DOD Civilian Workforce: Observations on DOD's Efforts to Plan for Civilian Workforce Requirements, GAO–12–962T (Washington, D.C: July 26, 2012).

[3] DOD is required by law to develop periodic strategic human capital plans containing certain specific elements, which have changed over time. The current plan requirement is codified at 10 U.S.C. § 115b.

[4] GAO–08–439R.

[5] According to DOD officials, enterprisewide mission-critical occupations are used in DOD's updated strategic plan to refer to both critical skills and competencies.

[6] GAO–12–962T and GAO–10–814R.

ing total force management, our September 2010 review also found that the Department had issued a directive stating that missions should be accomplished using the least costly mix of personnel (military, civilian, and contractors) consistent with military requirements and other needs. However, as our report noted, the Department's workforce plan did not provide an assessment of the appropriate mix of military, civilian, and contractor personnel capabilities.

Mr. FORBES. In your opinion, is DOD driving manpower decisions by resources or by requirements and critical skills required across its workforce?

Ms. FARRELL. Both requirements and resources help to shape DOD's workforce decisions. We have previously reported on DOD's efforts to strategically manage its civilian workforce, but have noted that opportunities exist for further improvement. For instance, we reported in 2010[7] that DOD's 2009 strategic workforce plan assessed the Department's critical skills and identified 22 mission-critical occupations, such as acquisition and financial management. However, DOD's plan only discussed competency gap analyses for 3 of its 22 mission-critical occupations. We have reported that competency gap analyses are key to enabling an agency to develop specific strategies to address workforce needs. For example, we found that DOD had not conducted a competency gap analysis for its financial management workforce, and we remain concerned that DOD lacks critical information it needs to effectively plan for its workforce requirements. We are currently reviewing DOD's latest strategic workforce plan, which was released in March 2012. The results of our review are expected to be released in September 2012.[8]

Mr. FORBES. Based on previous GAO analysis, what recommendations would you offer for the best practices to manage civilian workforce downsizing?

Ms. FARRELL. Our prior work[9] has found that workforce planning is essential in identifying positions to be eliminated and pinpointing specific employees for potential separation. We have reported that in organizations where planning did not occur or was not effectively implemented, difficulties arose in the downsizing. For example, a lack of effective planning for skills retention can lead to a loss of critical staff, and an organization that simply reduces the number of employees without changing work processes will likely have staffing growth recur eventually.[10] More specifically, simply reducing staff does not make the work that they were doing go away, and may be costly, indiscriminate, and inconsistent with continuing productive work flow with fewer staff. However, with proper planning, downsizing can be targeted to specific skills the organization no longer needs in its revised structure. Our work has also found that an important lesson learned is for organizations undergoing downsizing to carefully examine their functions and identify needed structural changes and other revisions to traditional methods of operation as a precursor to making decisions on where and to what extent workforce cuts are appropriate. However, a number of factors may constrain organizations' use of downsizing strategies, such as public sentiment, budget limitations, legislative mandates to maintain certain programs, and personnel laws.

Mr. FORBES. If sequestration were to occur, what recommendations would you offer DOD to consider now to best manage its directed manpower reductions? And, what, in your opinion, would be the impact of sequestration on the DOD workforce—civilian, contractor and military personnel?

Ms. FARRELL. GAO has not conducted the work necessary to make recommendations related to or analyzing the impact of a sequestration. However, our prior work[11] has found that workforce planning is essential in identifying positions to be eliminated and pinpointing specific employees for potential separation. We have also reported that in organizations where planning did not occur or was not effectively implemented, difficulties arose in the downsizing. For example, a lack of effective planning for skills retention can lead to a loss of critical staff, and an organization that simply reduces the number of employees without changing work processes will likely have staffing growth recur eventually.[12]

Mr. FORBES. Ms. Farrell, in your statement, you devote a portion to discussing DOD's downsizing efforts of the early 1990s. Specifically, you note that DOD's approach to its civilian workforce reductions was not focused on shaping the makeup of the workforce—as it typically does when managing its military downsizing—which resulted in significant imbalances in terms of shape, skills, and retirement

[7] GAO–10–814R.
[8] GAO–12–962T.
[9] GAO, Workforce Reductions: Downsizing Strategies Used in Selected Organizations, GAO/GGD–95–54 (Washington, D.C.: Mar. 13, 1995).
[10] GAO–12–962T.
[11] GAO/GGD–95–54.
[12] GAO–12–962T.

eligibility of the civilian workforce. Could you elaborate on whether or not DOD had a strategy guiding that downsizing and what the effect of that downsizing was on the civilian workforce?

Ms. FARRELL. As noted in my statement,[13] DOD's civilian workforce downsizing efforts in the 1990s were not oriented toward shaping the makeup of the workforce, which resulted in significant imbalances in terms of shape, skills, and retirement eligibility of its workforce. Specifically, in our reviews[14] of these efforts, we found that DOD's efforts in the 1990s to reduce its Federal civilian workforce to levels below that of 1987 were hampered by incomplete data and lack of a clear strategy for avoiding skill imbalances and other adverse effects of downsizing. For instance, in 1992, GAO found that DOD used incomplete and inconsistent data related to workers, workload, and projected force reductions. Further, the approaches DOD has previously relied on to accomplish downsizing have sometimes had unintended consequences. The use of voluntary attrition, hiring freezes, and financial separation incentives allowed DOD to mitigate some adverse effects of civilian workforce reductions, but were less oriented toward shaping the makeup of the workforce than was the approach the Department used to manage its military downsizing. For DOD, this was especially true of the civilian acquisition workforce. Our work has also found that use of strategies such as financial separation incentives makes it difficult to document or estimate the actual cost savings of Government downsizing efforts, especially in cases where the work previously performed by the eliminated personnel continues to be required. For example, if the work continues to be required, it may need to be contracted out to private companies and contract costs should be considered in determining whether net savings will result from workforce reductions.

QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. The National Defense Authorization Act for Fiscal Year 2012 directed the Department of Defense to take a more holistic approach to its manpower requirements in order to achieve the appropriate balance in its total workforce, rather than simply managing to budgetary targets. The Secretary was required to develop a total force management plan that would provide the means to establish the appropriate mix of manpower to perform the Department's mission, whether by military (Active or Reserve), civilian, or contractor personnel. The committee is concerned, however, that the budget request does not reflect this holistic approach. What steps is the Department taking to help ensure that the budget request reflects a more holistic approach?

Mr. VOLLRATH. The Department has extensive guidance regarding manpower management and workforce mix. Consistent with this guidance and applicable statutory requirements, including those included in the Fiscal Year 2012 National Defense Authorization Act, DOD Components identify the requisite manpower and resources needed to execute their missions, tasks, and functions. The Department remains committed to ensuring and delivering a balanced, flexible, responsive workforce with the right skills and competencies that: is the appropriate mix of labor; mitigates risk; ensures continuity of operations; promotes an organic knowledge base that delivers core and critical functions necessary to maintain operational readiness; and ensures mission requirements are met cost effectively and efficiently. Through the program and budget review process, Component manpower and resource requests are prioritized and trade-offs are made in a manner that ensures a holistic, analytically based, and responsible allocation of limited resources to our highest priorities.

Ms. BORDALLO. Why has it taken so long for the Department of Defense to develop its Strategic Workforce Plan? Further, I am concerned that the current plan uses data from 2010 and may not provide DOD with the right type of requirements-based gap analysis that is really needed. Does the Department of Defense have the tools, leadership and data it needs to make strategic decisions? Is there something impeding the timely development of this plan?

Mr. VOLLRATH. In May 2011, using 2010 baseline on-board data, DOD drafted the current Fiscal Year (FY) 10–18 Strategic Workforce Plan (SWP), which was submitted to Congress in March 2012. The SWP planning process is extensive in scope and complexity, covering a workforce of over 780,000 employees across multiple

[13] GAO–12–962T.

[14] GAO, Defense Force Management: Expanded Focus in Monitoring Civilian Force Reductions Needed, GAO/T–NSIAD–92–19 (Washington, D.C.: Mar. 18, 1992); and Defense Force Management: Challenges Facing DOD as It Continues to Downsize Its Workforce, GAO/NSIAD–93–123 (Washington, D.C.: Feb. 12, 1993).

functional communities, the military departments, and defense agencies and activities. The normal planning cycle is 12 months. Efficiency reviews and major budget shifts during the planning cycle can delay planning requiring changes in workforce planning targets and forecasts. The SWP considered major budget decisions that were made before the final draft was approved. Budget shifts since then are now being assessed against the baseline set by the current SWP.

Per the National Defense Authorization Act for FY2012 (Public Law 112–81), the Department is now on a biennial planning cycle, allowing time for implementation and progress evaluation before developing the next plan. Each SWP starts with baseline on-board data from the current year, identifies targets for future years based on budgeted manpower requirements, then forecasts hiring and attrition to identify current and projected skill gaps. The FY12–18 SWP which is currently under development will follow this approach using 2012 baseline data. The next biennial SWP development began in May for the FY12–18 planning cycle, which corresponds with the budget established in the Future Years Defense Program. This plan is expected to be delivered to Congress in 2013.

Ms. BORDALLO. DOD's 2010 Strategic Workforce Plan states that most of the Department's civilian mission-critical occupations are projecting some growth through 2018, roughly 4%. With regard to the current fiscal environment and caps on the civilian workforce at the 2010 strength level, how does the Department expect to maintain as well as grow these mission-critical occupations without having a negative impact on other missions or personnel requirements?

Mr. VOLLRATH. The Department does not have a cap on its civilian workforce. As part of its budget building process for the past few years, the Department has directed that components use Fiscal Year 2010 civilian levels as a departure point for prioritizing and shaping its workforce in an effort to make sure resources are applied to our most compelling needs. Components are asked to make trade-offs, ensuring civilian personnel are aligned to the most critical missions and requirements. Where trade-offs are not achievable, and where necessitated by mission and workload, exceptions to Fiscal Year 2010 civilian have and will continue to be granted. Where appropriate, this will include those mission-critical occupations covered by the Department's Strategic Workforce Plan.

Ms. BORDALLO. As we have seen in the past, across-the-board, arbitrary cuts of thousands of civilian employees could have an adverse effect on essential programs if the Department does not take a strategic view of ensuring that those employees with the critical skills needed to perform the Department's critical functions are not arbitrarily cut. How does the Department plan to help ensure that reductions in civilian employees will be done with the assurance of maintaining those skills critical to the Department's mission?

Mr. VOLLRATH. Changes in the civilian workforce must be made in a way that preserve mission essential skills and abilities over the long term and in a manner that enables DOD to recruit and retain the most talented individuals consistent with mission requirements and priorities. As currently programmed reductions are implemented, DOD will continue to focus on ensuring the appropriate mix of skill sets and competencies needed to execute our mission.

In fiscal year (FY) 2012, the Department identified mission-critical occupations (MCOs) and high-risk skills in the Strategic Workforce Plan (SWP) based on new Federal-wide criteria and staffing gap data. This data-driven, systematic method aligns strategic mission goals and priorities to mission-critical occupations and assesses staffing gap risks. As a result, recruitment, retention, and development strategies can be targeted to reduce skill gaps in MCOs.

In addition, the Department has implementing a standard competency taxonomy for identifying and assessing occupational competencies across the workforce. Competency models for MCOs will be in place by the end of 2012 and a DOD-wide tool for assessing employee competency gaps is planned for deployment in 2013. These tools will give DOD far more insight into employee skills—including strengths, gaps, and future needs—to improve workforce planning and decisions in a fiscally constrained environment.

Ms. BORDALLO. How many civilian personnel positions does the Department intend to eliminate between FY12 and FY17, broken down by years? How many civilian personnel positions would the Department have to eliminate between FY12 and FY17, if Section 341 of S. 3254 is enacted? Would such cuts be in addition to cuts in civilian personnel planned by the Department? Would such cuts be in addition to those that might be required by sequestration?

Mr. VOLLRATH. The President's Budget request for Fiscal Year 2013 reflected an approximate 2% decrease in the Department's civilian workforce (excluding foreign nationals) by Fiscal Year 2017. This equals 13,668 civilian positions—from 751,172 in Fiscal Year 2012 to 737,504 in Fiscal Year 2017. Annual levels through Fiscal

Year 2017 are as follows: FY12—751,172; FY13—743,815; FY14—738,880; FY15—739,561; FY16—738,440; and FY17—737,504. As currently written, section 341 would not require a specific reduction in civilian workforce levels. Legislatively directing reductions in selected elements of the workforce simply because well-reasoned reductions are being taken in other elements would preclude the Department from appropriately sizing its workforce to meet its mission workload.

In terms of sequestration, the Secretary's focus remains on precluding, not planning, for sequestration. If sequestration does occur, it would have across the board impacts on the Department's readiness and capabilities, including critical missions and tasks performed by DOD civilian employees.

Ms. BORDALLO. In which functional areas has the Department added personnel since FY09, broken down by numbers of positions and by years, and why are these increases necessary? To what extent, if at all, are these increases related to changes in military end-strength? In which functional areas does the Department anticipate adding civilian personnel, between FY12 and FY17, broken down by numbers of positions and by years, and why are these increases necessary? To what extent, if at all, are these increases related to changes in military end-strength?

Mr. VOLLRATH. Across the Department of Defense, civilian personnel levels have increased in a number of mission-critical occupations and functional communities since Fiscal Year 2009. These increases reflect the Department's appropriate response to changing missions, needs, and requirements. These increases include, but are not limited to, personnel performing critical acquisition oversight, intelligence, cyber operations, information technology, security, medical care, and financial management functions. In some instances these increases are tied to operational tempo, end-strength levels, and military force structure. The Department's current budget request calls for an overall decrease in civilian personnel of approximately 2% by Fiscal Year 2017. However, some functional capabilities (e.g. IT, cyber and medical) will likely see some limited growth during that time to adapt to missions and workload.

Ms. BORDALLO. How many civilian positions are included in each of the following four items: the Mission Critical Occupations as defined by the Civilian Human Capital Strategic Plan of the Department of Defense, the Acquisition Workforce Plan of the Department of Defense, personnel employed at facilities providing core logistics capabilities, and the Office of the Inspector General? Please indicate which functional areas and the numbers of civilian personnel who perform such functions would not be included in those four categories. Please also indicate the GS and WG status of the civilian personnel who would not be included in those four aforementioned categories.

Mr. VOLLRATH. The Fiscal Year 2010–2018 (FY10–18) Strategic Workforce Plan delivered to Congress in March 2012 covered 22 mission-critical occupations (MCOs). DOD has expanded the functional community construct to cover ALL major occupations in the civilian workforce across 23 functional communities, including Acquisition and Logistics communities. The table below provides a current overview and representation of the Department's current 23 functional communities, the occupations and number of employees associated with each, and the 33 current DOD mission-critical occupations, including Wage Grade occupations.

FY 2010-2018 Strategic Workforce Plan Report - Functional Community Construct (Data as of 30 Jun 2012)			
Functional Community	OCC Series	# Employees	% of DoD
Acquisition	1102 - CONTRACTING*	24,279	3.11%
Acquisition	1910 - QUALITY ASSURANCE*	8,755	1.12%
Acquisition	1101 - GENERAL BUSINESS AND INDUSTRY*[1]	16,235	2.08%
Acquisition	ALL OTHER OCCUPATIONS	4,294	0.55%
Environment	ALL OTHER OCCUPATIONS	6,767	0.87%
Facility Engineering and Management	ALL OTHER OCCUPATIONS GS Pay Plan	21,879	2.80%
Facility Engineering and Management	ALL OTHER OCCUPATIONS WG Pay Plan[3]	15,657	2.01%
Financial Management	0501 - FINANCIAL ADMINISTRATION AND PROGRAM*	12,644	1.62%
Financial Management	0510 - ACCOUNTING*	5,320	0.68%
Financial Management	0511 - AUDITING*	6,986	0.89%
Financial Management	0560 - BUDGET ANALYSIS*	7,617	0.98%
Financial Management	ALL OTHER OCCUPATIONS	11,729	1.50%
Human Resources	0201 - HUMAN RESOURCES MANAGEMENT*	13,367	1.71%
Human Resources	ALL OTHER OCCUPATIONS	10,643	1.36%
Information Technology	2210 - INFORMATION TECHNOLOGY MANAGEMENT*	36,253	4.64%
Information Technology	ALL OTHER OCCUPATIONS	9,563	1.22%
Intelligence	0132 - INTELLIGENCE*	6,838	0.88%
Law Enforcement	1811 - CRIMINAL INVESTIGATING*	2,349	0.30%

Functional Community	OCC Series	# Employees	% of DoD
Law Enforcement	1801 - INSPECTION, INVESTIGATION & ENFORCEMENT[2]	1,148	0.15%
Law Enforcement	1802 - COMPLIANCE INSPECTION & SUPPORT[2]	199	0.03%
Law Enforcement	1810 - GENERAL INVESTIGATING[2]	205	0.03%
Law Enforcement	ALL OTHER OCCUPATIONS	13,154	1.68%
Logistics	0346 - LOGISTICS MANAGEMENT*	18,941	2.43%
Logistics	2001 - GENERAL SUPPLY*	3,102	0.40%
Logistics	2003 - SUPPLY PROGRAM MANAGEMENT*	3,250	0.42%
Logistics	2010 - INVENTORY MANAGEMENT*	3,759	0.48%
Logistics	2101 - TRANSPORTATION SPECIALIST*	1,559	0.20%
Logistics	2130 - TRAFFIC MANAGEMENT*	1,594	0.20%
Logistics	2150 - TRANSPORTATION OPERATIONS*	1,205	0.15%
Logistics	1670 - EQUIPMENT SERVICES*	6,307	0.81%
Logistics	ALL OTHER OCCUPATIONS GS Pay Plan	19,094	2.45%
Logistics	ALL OTHER OCCUPATIONS WG Pay Plan[3]	94,301	12.08%
Medical	0180 - PSYCHOLOGY*	1,616	0.21%
Medical	0185 - SOCIAL WORK*	1,796	0.23%
Medical	0602 - MEDICAL OFFICER*	2,109	0.27%
Medical	0610 - NURSE*	9,601	1.23%
Medical	0660 - PHARMACIST*	975	0.12%
Medical	ALL OTHER OCCUPATIONS	30,383	3.89%
Safety & Public Safety	0017 - EXPLOSIVE SAFETY*	91	0.01%
Safety & Public Safety	0018 - SAFETY AND OCCUPATIONAL HEALTH MANAGEMENT*	3,491	0.45%
Safety & Public Safety	0081 - FIRE PROTECTION AND PREVENTION*	8,800	1.13%
Safety & Public Safety	ALL OTHER OCCUPATIONS GS Pay Plan	456	0.06%
Safety & Public Safety	ALL OTHER OCCUPATIONS WG Pay Plan[3]	233	0.03%
Science & Technology	1550 - COMPUTER SCIENCE*	5,370	0.69%
Science & Technology	ALL OTHER OCCUPATIONS	14,711	1.88%
Security	0080 - SECURITY ADMINISTRATION*	7,864	1.01%
Security	ALL OTHER OCCUPATIONS	1,723	0.22%
TOTAL		**478,212**	**61.25%**

Functional Communities Added in the 2012 Expansion (Data as of 30 Jun 2012)

Functional Community	OCC Series	# Employees	% of DoD
Administrative Support	ALL OTHER OCCUPATIONS	40,860	5.23%
Airfield Operations	ALL OTHER OCCUPATIONS GS Pay Plan	6,896	0.88%
Airfield Operations	ALL OTHER OCCUPATIONS WG Pay Plan[3]	269	0.03%
Education	ALL OTHER OCCUPATIONS	36,915	4.73%
Engineering (Non-Construct)	0840 - NUCLEAR ENGINEERING*	2,159	0.28%
Engineering (Non-Construct)	0854 - COMPUTER ENGINEERING*	3,346	0.43%
Engineering (Non-Construct)	0855 - ELECTRONICS ENGINEERING*	17,073	2.19%
Engineering (Non-Construct)	ALL OTHER OCCUPATIONS	53,154	6.81%
Foreign Affairs	0130 - FOREIGN AFFAIRS*	526	0.07%
Foreign Affairs	ALL OTHER OCCUPATIONS	159	0.02%
Legal	ALL OTHER OCCUPATIONS	6,467	0.83%
Manpower	0343 - MANAGEMENT AND PROGRAM ANALYSIS	29,021	3.72%

Miscellaneous Program Management	ALL OCCUPATIONS	43,546	5.58%
Public Affairs	1035 - PUBLIC AFFAIRS	2,413	0.31%
Social Science	ALL OTHER OCCUPATIONS	5,782	0.74%
TOTAL		**248,586**	**31.84%**

GRAND TOTAL		
FUNCTIONAL COMMUNITY TOTAL	**726,798**	**93.08%**
Civilian Employees Not Included in the Functional Community Construct GS Pay Plan	**16,851**	**2.16%**
Civilian Employees Not Included in the Functional Community Construct WG Pay Plan[3]	**37,148**	**4.76%**
GRAND TOTAL	**780,799**	**100%**
Represents Acquisition Functional Community (response to QFR 05-023)		
Represents Logistics Functional Community (response to QFR 05-023)		
Represents Medical Functional Community (response to QFR 05-026)		
Represents Financial Management Functional Community (response to QFR 05-026)		
* Mission Critical Occupations		
*[1] Represents Program Management Mission Critical Competency within the Occupational Series		
[2] Many civilian employees assigned to an Inspectors General office could be identified by these Occupational Series		
[3] Identifies all Wage Grade (WG) Pay Plan employees included in each Functional Community		
Data Source: DoD's Defense Civilian Personnel Data System (DCPDS), Civilian Management Information System (CMIS)		

Ms. BORDALLO. Has the Department determined that the functions excluded from cuts by Senate FY13 NDAA Section 341 need not be reviewed for efficiencies? Do the exclusions mean that for purposes of complying with Section 341 that non-excluded functions will have to be reduced in excess of what the Department had planned? Will the Department be reviewing those excluded functions for efficiencies, regardless of whether Section 341 is enacted?

Mr. VOLLRATH. The Department has not undertaken any planning specifically related to the provision in the Senate Armed Services Committee mark-up of the fiscal year 2013 National Defense Authorization Act. Legislatively directing reductions (and possible exclusions from such reductions) to the civilian workforce would preclude the Department from most appropriately, effectively, and efficiently sizing its Total Force to meet mission and workload. We are committed to ensuring all aspects of the civilian workforce are aligned to workload, consistent with mission priorities, and that we execute such workload as efficiently and effectively as possible and in compliance with sections 124 and 129a of title 10, United States Code.

Ms. BORDALLO. Do civilian personnel perform functions related to the maintenance and repair of military equipment but who are not employed at facilities providing core logistics capabilities? Section 341 would exclude from cuts those contractor "personnel performing maintenance and repair of military equipment". Is that contractor workforce comparable in terms of functional areas to the civilian workforce that provides core logistics capabilities pursuant to 10 USC 2464? If the former includes functional areas not included in the latter, which ones would they be and how many civilian employees perform those functional areas that are not included?

Mr. VOLLRATH. The Department does have both civilian and contractor personnel performing functions related to the maintenance and repair of military equipment some of whom are not employed at facilities providing core logistics capabilities. The contracted skill sets are comparable to those within the civilian workforce in terms of the functional areas needed to perform the required maintenance and repair.

Ms. BORDALLO. Are all civilian positions related to the provision of medical and financial audit services included within the Mission Critical Occupations as defined by the Civilian Human Capital Strategic Plan of the Department of Defense and the Acquisition Workforce Plan of the Department of Defense? If not, which positions and how many positions are not included for each function?

Mr. VOLLRATH. There are five occupations in the Medical Functional Community and four occupations in the Financial Management Functional Community designated as Mission Critical Occupations (MCO). The table below lists all the occupations in these communities, including those designated as MCOs and high-risk occupations. Functional communities are based on the occupational series assigned to civilian positions.

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Functional Community	**OCC Series**	**# Employees**	**% of DoD**
Acquisition	1102 - CONTRACTING*	24,279	3.11%
Acquisition	1910 - QUALITY ASSURANCE*	8,755	1.12%
Acquisition	1101 - GENERAL BUSINESS AND INDUSTRY*[1]	16,235	2.08%
Acquisition	ALL OTHER OCCUPATIONS	4,294	0.55%
Environment	ALL OTHER OCCUPATIONS	6,767	0.87%
Facility Engineering and Management	ALL OTHER OCCUPATIONS GS Pay Plan	21,879	2.80%
Facility Engineering and Management	ALL OTHER OCCUPATIONS WG Pay Plan[3]	15,657	2.01%
Financial Management	0501 - FINANCIAL ADMINISTRATION AND PROGRAM*	12,644	1.62%
Financial Management	0510 - ACCOUNTING*	5,320	0.68%
Financial Management	0511 - AUDITING*	6,986	0.89%
Financial Management	0560 - BUDGET ANALYSIS*	7,617	0.98%
Financial Management	ALL OTHER OCCUPATIONS	11,729	1.50%
Human Resources	0201 - HUMAN RESOURCES MANAGEMENT*	13,367	1.71%
Human Resources	ALL OTHER OCCUPATIONS	10,643	1.36%
Information Technology	2210 - INFORMATION TECHNOLOGY MANAGEMENT*	36,253	4.64%
Information Technology	ALL OTHER OCCUPATIONS	9,563	1.22%
Intelligence	0132 - INTELLIGENCE*	6,838	0.88%
Law Enforcement	1811 - CRIMINAL INVESTIGATING*	2,349	0.30%
Law Enforcement	1801 - INSPECTION, INVESTIGATION & ENFORCEMENT[2]	1,148	0.15%
Law Enforcement	1802 - COMPLIANCE INSPECTION & SUPPORT[2]	199	0.03%
Law Enforcement	1810 - GENERAL INVESTIGATING[2]	205	0.03%
Law Enforcement	ALL OTHER OCCUPATIONS	13,154	1.68%
Logistics	0346 - LOGISTICS MANAGEMENT*	18,941	2.43%
Logistics	2001 - GENERAL SUPPLY*	3,102	0.40%
Logistics	2003 - SUPPLY PROGRAM MANAGEMENT*	3,250	0.42%
Logistics	2010 - INVENTORY MANAGEMENT*	3,759	0.48%
Logistics	2101 - TRANSPORTATION SPECIALIST*	1,559	0.20%
Logistics	2130 - TRAFFIC MANAGEMENT*	1,594	0.20%
Logistics	2150 - TRANSPORTATION OPERATIONS*	1,205	0.15%

Logistics	1670 - EQUIPMENT SERVICES*	6,307	0.81%
Logistics	ALL OTHER OCCUPATIONS GS Pay Plan	19,094	2.45%
Logistics	ALL OTHER OCCUPATIONS WG Pay Plan[3]	94,301	12.08%
Medical	0180 - PSYCHOLOGY*	1,616	0.21%
Medical	0185 - SOCIAL WORK*	1,796	0.23%
Medical	0602 - MEDICAL OFFICER*	2,109	0.27%
Medical	0610 - NURSE*	9,601	1.23%
Medical	0660 - PHARMACIST*	975	0.12%
Medical	ALL OTHER OCCUPATIONS	30,383	3.89%
Safety & Public Safety	0017 - EXPLOSIVE SAFETY*	91	0.01%
Safety & Public Safety	0018 - SAFETY AND OCCUPATIONAL HEALTH MANAGEMENT*	3,491	0.45%
Safety & Public Safety	0081 - FIRE PROTECTION AND PREVENTION*	8,800	1.13%
Safety & Public Safety	ALL OTHER OCCUPATIONS GS Pay Plan	456	0.06%
Safety & Public Safety	ALL OTHER OCCUPATIONS WG Pay Plan[3]	233	0.03%
Science & Technology	1550 - COMPUTER SCIENCE*	5,370	0.69%
Science & Technology	ALL OTHER OCCUPATIONS	14,711	1.88%
Security	0080 - SECURITY ADMINISTRATION*	7,864	1.01%
Security	ALL OTHER OCCUPATIONS	1,723	0.22%
TOTAL		**478,212**	**61.25%**
Functional Communities Added in the 2012 Expansion (Data as of 30 Jun 2012)			
Functional Community	**OCC Series**	**# Employees**	**% of DoD**
Administrative Support	ALL OTHER OCCUPATIONS	40,860	5.23%
Airfield Operations	ALL OTHER OCCUPATIONS GS Pay Plan	6,896	0.88%
Airfield Operations	ALL OTHER OCCUPATIONS WG Pay Plan[3]	269	0.03%
Education	ALL OTHER OCCUPATIONS	36,915	4.73%
Engineering (Non-Construct)	0840 - NUCLEAR ENGINEERING*	2,159	0.28%
Engineering (Non-Construct)	0854 - COMPUTER ENGINEERING*	3,346	0.43%
Engineering (Non-Construct)	0855 - ELECTRONICS ENGINEERING*	17,073	2.19%
Engineering (Non-Construct)	ALL OTHER OCCUPATIONS	53,154	6.81%
Foreign Affairs	0130 - FOREIGN AFFAIRS*	526	0.07%
Foreign Affairs	ALL OTHER OCCUPATIONS	159	0.02%
Legal	ALL OTHER OCCUPATIONS	6,467	0.83%
Manpower	0343 - MANAGEMENT AND PROGRAM ANALYSIS	29,021	3.72%
Miscellaneous Program Management	ALL OCCUPATIONS	43,546	5.58%
Public Affairs	1035 - PUBLIC AFFAIRS	2,413	0.31%
Social Science	ALL OTHER OCCUPATIONS	5,782	0.74%
TOTAL		**248,586**	**31.84%**
GRAND TOTAL			
FUNCTIONAL COMMUNITY TOTAL		**726,798**	**93.08%**
Civilian Employees Not Included in the Functional Community Construct GS Pay Plan		**16,851**	**2.16%**
Civilian Employees Not Included in the Functional Community Construct WG Pay Plan[3]		**37,148**	**4.76%**
GRAND TOTAL		**780,799**	**100%**
Represents Acquisition Functional Community (response to QFR 05-023)			
Represents Logistics Functional Community (response to QFR 05-023)			
Represents Medical Functional Community (response to QFR 05-026)			
Represents Financial Management Functional Community (response to QFR 05-026)			
* Mission Critical Occupations			
*[1] Represents Program Management Mission Critical Competency within the Occupational Series			
[2] Many civilian employees assigned to an Inspectors General office could be identified by these Occupational Series			
[3] Identifies all Wage Grade (WG) Pay Plan employees included in each Functional Community			
Data Source: DoD's Defense Civilian Personnel Data System (DCPDS), Civilian Management Information System (CMIS)			

Ms. BORDALLO. What process did the Department undertake to determine the extent to which military end-strength should be reduced? Did it arbitrarily assign a percentage in determining how much military end-strength should be reduced? Or did it first engage in thoughtful analysis?

Mr. VOLLRATH. The currently planned for reductions in military end-strength are the result of extensive planning and thoughtful analysis, including a comprehensive review of the Nation's military and defense strategies called for by the President of the United States, and are not based on an arbitrarily assigned percentage reduction. Military end-strength reductions are based on changes to our overall force structure; reduced operational tempos and commitments associated with Operations Iraqi and Enduring Freedom; and a shift in our strategic priorities to the Asia-Pacific area of operations.

Ms. BORDALLO. Within the last eight months, Personnel and Readiness has issued three different guidances to prevent work performed by civilian employees from being illegally and inappropriately converted to performance by contractors and military personnel.

a) What role did the cap play in the issuance of these guidances?

b) It is our understanding that while Personnel and Readiness attempts to follow up on credible reports of violations of those guidances that it is ultimately powerless to prevent components from carrying them out. Is that true?

c) In the Army's March 29 HSGAC testimony, it was written "When faced with hiring decisions, people are therefore being placed in the unenviable position of having to decide whether to comply with the civilian cap, or to comply with the other statutes governing the workforce . . . " That seems to be an implicit acknowledgement that the cap compels commanders to violate the law. Does that testimony accurately describe why commanders may feel compelled to defy Personnel and Readiness' guidances?

d) What additional power does Personnel and Readiness need to enforce the guidances and the underlying laws?

e) House report language directed the Department to make it clear that the guidances also covered functions performed by Non-Appropriated Fund employees. Has this been done? If not, why?

f) Will the imposition of an arbitrary cut in civilian employees, as proposed by the Senate, make it more difficult to enforce laws against direct conversions and the Department's guidances to enforce those laws?

Mr. VOLLRATH. Each question within the broader question is answered individually:

a) The guidance was issued in order to remind Commanders and managers of their obligations under title 10 and DOD policies to ensure that efficient and workforce mix. The guidance focused our efforts in the context of the efficiencies initiatives eliminating low priority workload and limiting resources for overhead and administrative functions in order to sustain core mission capabilities due, in part, to the changing budgetary landscape.

b) The Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) provides policy and guidance. In cases where there have been reported instances of workload re-alignment that are potentially in contradiction to statutory requirements or established policies, OUSD (P&R) has engaged with Components, based on Secretary of Defense authority, to ensure that appropriate component leadership attention is given to those reports.

c) I cannot speak to the Army's testimony to the HSGAC. However, DOD decisionmakers must make daily decisions based on mission workload, resource availability, and risk mitigation. These decisions often require consideration for multiple policies, statutes, and directives and will result in trade-offs and workload prioritization. OUSD (P&R), as a policy and oversight office, works with those decisionmakers to ensure compliance with appropriate statutory requirements and internal policies.

d) OUSD (P&R) does not require any additional power or authorities beyond those currently provided for in law and as prescribed by the Secretary of Defense.

e) No, the Department has not yet issued clarifying guidance regarding the application of these statutory sourcing provisions to Non-Appropriated Fund (NAF) employees. While we appreciate the concerns expressed in the House report the Department is currently assessing the application of our workforce sourcing policies, in the context of statutory requirements, and reconciling them with the personnel management policies for NAF employees and the policies that govern the day-to-day operations of NAF instrumentalities. Existing policies will be updated as needed.

f) Any arbitrary reduction in civilian employees, whether legislatively directed or internally executed, would create challenges with regard to appropriate and effective workforce mix and workload alignment. The Department's sourcing of functions and work among military, civilian, and contracted services must be consistent with workload requirements, funding availability, readiness and management needs, as well as applicable laws and guidance. Legislatively directing reductions in selected elements of the workforce simply because well-reasoned reductions are being taken in others would preclude the Department from appropriately sizing its workforce to meet its mission workload. Even during this period of constrained defense budgets, we must ensure that we have a sufficient number of Federal civilian personnel to meet the support needs of our military forces. We must also be sure that military or civilian personnel are performing all inherently governmental jobs, and that sufficient levels of civilian personnel are available to perform critical oversight, management, and readiness functions of the Department. The Department is committed to ensuring all aspects of the civilian workforce are aligned to workload, consistent with mission priorities, and that we execute such workload as efficiently and effectively as possible.

Ms. BORDALLO. Does the Department have the same sort of visibility and control over service contract spending as it does over civilian personnel spending? Is it easier to cut and actually enforce cuts in civilian personnel spending than in service contract spending because of the absence of an inventory of service contracts that has been integrated into the budget? Is it accurate to say that the Department is far more likely to realize the arbitrary cuts in civilian personnel imposed by Section 341 than the arbitrary cuts in service contract spending? The Comptroller claims that one of the principal reasons that the Department doesn't have better cost information on service contractors is that it is not possible to distinguish between base and OCO spending. However, the Army, which is recognized as the leader on the contractor inventory insists that the two categories of spending can be substantially distinguished. Who's right?

Mr. VOLLRATH. The Department does not have the same visibility into service contract spending as it does over civilian personnel spending. However, in November 2011, the Department submitted a plan to Congress delineating both short- and long-term actions to fully implement the requirements of section 2330a of title 10, United States Code. As a result, the Department will have better fidelity, visibility, and accountability into contracted services. Improvements currently underway will enable the Department to more accurately assess contracted workload based on direct labor hours and associated data collected from private sector providers. Additionally, DOD Components must now certify that they have completed comprehensive reviews of their contracted services to ensure appropriate utilization, cost effectiveness, and alignment to mission need and priority.

Ms. BORDALLO. The Department has claimed significant savings from insourcing. According to testimony, the Army's once robust insourcing program was significantly responsible for a dramatic drop in service contracting costs. Unfortunately, the insourcing effort came to a halt as a result of the imposition of the FY10 cap on the civilian workforce. Will the Department be forced to leave inherently governmental and other important/sensitive functional areas in the hands of contractors due to the collapse of the insourcing effort? (The Army has told the GAO that one of the reasons it can't insource inherently governmental functions is the FY10 cap on the civilian workforce.) Will the Department fail to generate cost savings from insourcing because of the cap on the civilian workforce? (The Army has testified that service contracting costs increased when the imposition of the cap on the civilian workforce all but killed off insourcing.) Will the imposition of arbitrary cuts in civilian employees make it even more difficult to use insourcing to save money and reassert public control over important and sensitive functions?

Mr. VOLLRATH. The Department does not have a cap on its civilian workforce. As part of its budget building process for the past few years, the Department directed that components maintain Fiscal Year 2010 civilian levels as a departure point for prioritizing and shaping its workforce, and in an effort to ensure resources are applied to our most compelling requirements. DOD organizations may request to exceed their Fiscal Year 2010 civilian workforce levels as needed to meet mission and workload requirements.

The Department remains committed to its statutory obligations under title 10 to annually review contracted services and ensure appropriate performance of functions that are inherently governmental; closely associated; otherwise exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc); and in the most cost effective manner possible. Contracted services that meet the necessary criteria should be in-sourced to Government performance. Where appropriate, DOD organizations may in-source, and in fact continue to do so, by absorbing work into existing Government positions by refining duties or requirements; establishing new positions to perform contracted services by eliminating or shifting equivalent existing manpower resources (personnel) from lower priority activities; or requesting an exception to their civilian levels.

Ms. BORDALLO. Section 341 includes "Section (d) Limitation on Transfers of Functions". Work performed by civilian employees is already being illegally directly converted to contractor performance because of the arbitrary caps the Department has imposed on the civilian workforce. Imposition of an additional arbitrary cut in the civilian workforce will surely exacerbate this problem. What impact if any will this "Limitation on Transfer of Functions" language have in stopping illegal direct conversions caused by arbitrary constraints and cuts in the civilian workforce? Will this language prevent the Department from insourcing work for cost reasons, even if in-house performance would be cheaper?

Mr. VOLLRATH. If section 341, as contained in the Senate Armed Services Committee mark-up of the fiscal year 2013 National Defense Authorization Act, were to be enacted and become public law, paragraph (d), regarding the limitation on trans-

fers of functions, would reinforce the Department's current policies. Namely, reductions in civilian workforce must be tied to reductions in workload and mission and cannot result in either the transfer of work to contract performance (consistent with section 2461 of title 10, United States Code and existing legislative prohibitions on the use of public-private competitions); or the transfer of non-military essential work to military personnel performance (consistent with DOD policies concerning military essentiality and the alignment of workload). Similarly, reductions in contracted services must also be tied to reductions in mission and workload, unless the work is appropriately transferred from contract to civilian performance (in-sourcing). In-sourcing is appropriate in instances where contracted work was determined to be inherently governmental, critical, or so closely associated with inherently governmental as to pose risk to Government operations; or more cost effectively performed by Government personal. Such workload realignment, or in-sourcing, would be justified under the language in paragraph (d) of section 341 as proposed and consistent with existing statutory authorities in section 2463 of title 10, United States Code.

Ms. BORDALLO. In order to make more strategic decisions about the right workforce mix of military, civilian, and contractor personnel, and to better align resource needs through the budget process to achieve that mix, DOD needs adequate information on the appropriate mix of these three groups. Based on GAO's reviews of DOD's Strategic Workforce Plan, does DOD have a strategy for assessing the appropriate mix of military, civilian, and contractor personnel capabilities?

Ms. FARRELL. Our September 2010 review of DOD's 2009 strategic workforce plan found that although the Department had issued a directive stating that missions should be accomplished using the least costly mix of personnel (military, civilian, and contractors) consistent with military requirements and other needs, the Department's 2009 plan did not provide an assessment of the appropriate mix of these capabilities.[15] We currently have ongoing work assessing DOD's 2010–2018 Strategic Workforce Plan, which the Department released in March 2012. The results of our review are expected to be released in September 2012.

Ms. BORDALLO. In your statement, you devote a portion to discussing DOD's downsizing efforts of the early 1990s. Specifically, you note that DOD's approach to its civilian workforce reductions was not focused on shaping the makeup of the workforce—as it typically does when managing military manpower downsizing—resulting in significant imbalances in terms of shape, skills, and retirement eligibility of the civilian workforce. Could you elaborate on whether or not DOD had a strategy guiding that downsizing and what the effect of that downsizing was on the civilian workforce?

Ms. FARRELL. As noted in my statement,[16] DOD's civilian workforce downsizing efforts in the 1990s were not oriented toward shaping the makeup of the workforce, which resulted in significant imbalances in terms of shape, skills, and retirement eligibility of its workforce. Specifically, in our reviews[17] of those efforts, we found that DOD's efforts in the 1990s to reduce its Federal civilian workforce to levels below that of 1987 were hampered by incomplete data and lack of a clear strategy for avoiding skill imbalances and other adverse effects of downsizing. For instance, in 1992, GAO found that DOD used incomplete and inconsistent data related to workers, workload, and projected force reductions. Further, the approaches DOD has previously relied on to accomplish downsizing have sometimes had unintended consequences. The use of voluntary attrition, hiring freezes, and financial separation incentives allowed DOD to mitigate some adverse effects of civilian workforce reductions, but were less oriented toward shaping the makeup of the workforce than was the approach the Department used to manage its military downsizing. For DOD, this was especially true of the civilian acquisition workforce. Our work has also found that use of strategies such as financial separation incentives makes it difficult to document or estimate the actual cost savings of Government downsizing efforts, especially in cases where the work previously performed by the eliminated personnel continues to be required. For example, if the work continues to be required, it may need to be contracted out to private companies and contract costs should be considered in determining whether net savings will result from workforce reductions.

Ms. BORDALLO. What are the risks associated with both the Senate's proposed arbitrary cuts to the civilian workforce and the cuts that would be imposed on thousands of DOD civilians by sequestration?

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[15] GAO–10–814R.
[16] GAO–12–962T.
[17] GAO/T–NSIAD–92–19 and GAO/NSIAD–93–123.

Ms. FARRELL. GAO has not conducted the work necessary to comment on the Senate's proposal or the effects of a sequestration. However, as our prior work [18] has noted, strategic workforce planning is an integral part of human capital management and helps organizations to determine if they have staff with the necessary skills and competencies to accomplish their strategic goals. To facilitate effective workforce planning, we and the Office of Personnel Management have identified six leading principles such workforce plans should incorporate, including: 1) aligning workforce planning with strategic planning and budget formulation; 2) involving managers, employees, and other stakeholders in planning; 3) identifying critical skills and competencies and analyzing workforce gaps; 4) employing workforce strategies to fill the gaps; 5) building the capabilities needed to support workforce strategies through steps to ensure the effective use of human capital flexibilities; and 6) monitoring and evaluating progress toward achieving workforce planning and strategic goals. [19] Specifically, with regard to critical skills and competencies and analyzing workforce gaps, we have found [20] that DOD's Strategic Workforce Plan identified 22 mission-critical occupations [21] that, according to the Department, represent the results of its assessment of critical skills. However, our work also found that DOD's plan only discussed competency gap analysis for 3 of its 22 mission-critical occupations. Further, DOD was in the initial stages of assessing competency gaps for its senior leader workforce, but it had not completed the analysis needed to identify gaps. Without including analyses of gaps in critical skills and competencies as part of its strategic workforce planning efforts, DOD and the components may not be able to design and fund the best strategies to fill their talent needs through recruiting and hiring or to make appropriate investments to develop and retain the best possible workforce. Further, DOD leadership may not have information necessary to make informed decisions about future workforce reductions, should further reductions to its workforces become necessary.

Ms. BORDALLO. What lessons were learned from former Secretary Gates' efficiencies initiative that could be helpful in developing a requirements-based workforce management plan? How are issues associated with that initiative addressed in the Department's strategic workforce plan?

Ms. FARRELL. Our prior work reviewing former Secretary Gates's efficiencies initiative found that the Department does not have complete and reliable major DOD headquarters activity data available for use in making efficiency assessments and decisions because the Department continues to have challenges in identifying and tracking personnel and other resources devoted to headquarters. According to our internal control standards, an agency must have relevant, reliable, and timely information in order to run and control its operations. [22] In addition, we have previously identified key practices from Federal and state efficiency initiatives, which include 1) using change management practices to implement and sustain efficiency initiatives, such as setting implementation goals and a timeline; 2) targeting both short-term and long-term efficiency initiatives by identifying efficiency initiatives that can generate immediate returns as well as more substantive changes to operating procedures, programs, and organizational structures; and 3) building capacity for improving efficiency through the use of a department-level office to standardize guidance and training and facilitate sharing best practices. [23] These key practices from Federal and state efficiency initiatives may help guide DOD's strategic workforce planning efforts. We are currently reviewing DOD's latest strategic workforce plan, which was released in March 2012. The results of this review are expected to be released in September 2012. [24]

Ms. BORDALLO. In which functional areas has the Department added personnel since FY09, broken down by numbers of positions and by years, and why are these increases necessary? To what extent, if at all, are these increases related to changes in military end-strength? In which functional areas does the Department anticipate adding civilian personnel, between FY12 and FY17, broken down by numbers of po-

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[18] GAO–10–814R.

[19] GAO–12–962T.

[20] GAO–12–962T and GAO–10–814R.

[21] DOD has identified 24 enterprisewide mission-critical occupations; 22 of these occupations are associated specifically with the overall civilian workforce and are discussed in the strategic workforce plan, while, the remaining 2 are acquisition-related occupations—contracting and quality assurance—and are discussed in the Defense Acquisition Workforce Improvement Strategy (published as a separate report).

[22] GAO, Standards for Internal Control in the Federal Government, GAO/AIMD–00–21.3.1 (Washington, D.C.: November 1999).

[23] GAO, Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide, GAO–11–908 (Washington, D.C.: Sept. 30, 2011).

[24] GAO–12–962T.

sitions and by years, and why are these increases necessary? To what extent, if at all, are these increases related to changes in military end-strength?

Ms. FARRELL. GAO has not conducted a detailed review of DOD's past or planned personnel growth or determined the extent to which any growth can be attributed to changes in military end-strength.

Ms. BORDALLO. Do civilian personnel perform functions related to the maintenance and repair of military equipment but who are not employed at facilities providing core logistics capabilities? Section 341 would exclude from cuts those contractor "personnel performing maintenance and repair of military equipment". Is that contractor workforce comparable in terms of functional areas to the civilian workforce that provides core logistics capabilities pursuant to 10 USC 2464? If the former includes functional areas not included in the latter, which ones would they be and how many civilian employees perform those functional areas that are not included?

Ms. FARRELL. GAO has reviewed various aspects of DOD functions related to maintenance and repair of military equipment, but has not conducted a detailed review of DOD's civilian personnel performing functions related to the maintenance and repair of military equipment that are not employed at facilities providing core logistics capabilities. Starting in 2012, section 2464 of Title 10 of the United States Code requires DOD to submit to Congress biennial and annual reports on its core depot-level maintenance and repair capability requirements. The statute also requires GAO to review DOD's reports for completeness and compliance and provide findings and recommendations to the congressional defense committees not later than 60 days after the report is submitted to Congress. The statute does not require specific reporting on civilian personnel performing maintenance and repair.

Ms. BORDALLO. Are dollars for contracted workload constrained or limited to the same degree as are dollars for OMA funded civilians? (The Army has testified that for every one dollar cut from service contracting, ten dollars are cut from civilian personnel.) Service contracting expenses more than doubled in the Department over the last ten years, while civilian personnel expenses held steady. Given that most if not almost all of that immense growth in service contracting was premised on it being short-term and non-recurring, should both civilian personnel spending and service contract spending be cut by the same percentage, as would be required by Section 341?

Ms. FARRELL. We have not conducted work that would enable us to comment upon the appropriate level of potential reductions in civilian personnel or service contract spending.

Ms. BORDALLO. The Army testified at a March 29 HSGAC subcommittee hearing that the civilian workforce cap "has the unintended consequence of limiting the flexibility of the Army in managing its workforce. Cost-effective workforce management decisions ought to be based on allowing for the hiring of civilians to perform missions, rather than contractors, if the civilians will be cheaper." Do you agree with the Army's assessment of the cap—that it is preventing DOD from using civilian employees even when they'd be cheaper? Do you think such cap-generated inflexibilities and inefficiencies are limited to the Army? The Department claims that there is an exceptions process to the civilian personnel cap. Given that it is so forbidden and cumbersome, do you really think that there actually is a viable and workable exceptions process to the cap? We understand that when the Department is assigned new functions that must be performed by civilian employees that comparable numbers of civilian employee positions elsewhere must be eliminated to offset any overall increases to the civilian workforce. How can that possibly be justified? Surely, that is evidence that there is not a viable and workable exceptions process to the cap? Are there comparable constraints on service contract spending? For example, does the Department require that new contracts and increases in existing contracts be offset by comparable reductions elsewhere?

Ms. FARRELL. To date, GAO has not issued any work on the Department of Defense's or the Department of the Army's efforts to cap its civilian workforce that would allow us to comment on the Army's experience with implementing the cap.

Ms. BORDALLO. Within the last eight months, Personnel and Readiness has issued three different guidances to prevent work performed by civilian employees from being illegally and inappropriately converted to performance by contractors and military personnel. What role did the cap play in the issuance of these guidances? It is our understanding that while Personnel and Readiness attempts to follow up on credible reports of violations of those guidances that it is ultimately powerless to prevent components from carrying them out. Is that true? In the Army's March 29 HSGAC testimony, it was written "When faced with hiring decisions, people are therefore being placed in the unenviable position of having to decide whether to comply with the civilian cap, or to comply with the other statutes governing the

workforce . . . " That seems to be an implicit acknowledgement that the cap compels commanders to violate the law. Does that testimony accurately describe why commanders may feel compelled to defy Personnel and Readiness' guidances? What additional power does Personnel and Readiness need to enforce the guidances and the underlying laws? House report language directed the Department to make it clear that the guidances also covered functions performed by Non-Appropriated Fund employees. Has this been done? If not, why? Will the imposition of an arbitrary cut in civilian employees, as proposed by the Senate, make it more difficult to enforce laws against direct conversions and the Department's guidances to enforce those laws?

Ms. FARRELL. To date, GAO has not issued any work on the Department of Defense's efforts to cap its civilian workforce that would allow us to comment on DOD's or the Department of the Army's experience with implementing the cap.

Ms. BORDALLO. Does the Department have the same sort of visibility and control over service contract spending as it does over civilian personnel spending? Is it easier to cut and actually enforce cuts in civilian personnel spending than in service contract spending because of the absence of an inventory of service contracts that has been integrated into the budget? Is it accurate to say that the Department is far more likely to realize the arbitrary cuts in civilian personnel imposed by Section 341 than the arbitrary cuts in service contract spending? The Comptroller claims that one of the principal reasons that the Department doesn't have better cost information on service contractors is that it is not possible to distinguish between base and OCO spending. However, the Army, which is recognized as the leader on the contractor inventory insists that the two categories of spending can be substantially distinguished. Who's right?

Ms. FARRELL. Congress has mandated that DOD use the inventory of contracted services and the associated review process to help DOD ensure that contractors are performing work that is appropriate, to support development of DOD's annual strategic workforce plan, and to specify the number of contractor full-time equivalents included in DOD's annual budget justification materials. For example, the National Defense Authorization Act for Fiscal Year 2010 added section 235 to Title 10 of the U.S. Code, which requires DOD to include information in its annual budget justification materials regarding the procurement of contracted services. Specifically, the legislation requires each budget account to identify clearly and separately (1) the amount requested for the procurement of contract services for each DOD component, installation, or activity, and (2) the number of contractor FTEs projected and justified for each DOD component, installation, or activity based on the inventory and associated reviews. DOD's fiscal year 2013 budget guidance to DOD components requires the budget estimates to be informed by the fiscal year 2010 inventory of contracted services. While we did not assess DOD's implementation of this requirement as part of our April 2012 report, we did find that DOD, with the exception of the Army, has much further to go in addressing the requirements for compiling and reviewing the inventories of contracted services.[25] For example, DOD continued to rely on the Federal Procurement Data System—Next Generation for the inventory for most defense components other than the Army. As such, DOD acknowledged a number of factors that limited the utility, accuracy and completeness of the inventory data.

Ms. BORDALLO. The Department has claimed significant savings from insourcing. According to testimony, the Army's once robust insourcing program was significantly responsible for a dramatic drop in service contracting costs. Unfortunately, the insourcing effort came to a halt as a result of the imposition of the FY10 cap on the civilian workforce. Will the Department be forced to leave inherently governmental and other important/sensitive functional areas in the hands of contractors due to the collapse of the insourcing effort? (The Army has told the GAO that one of the reasons it can't insource inherently governmental functions is the FY10 cap on the civilian workforce.) Will the Department fail to generate cost savings from insourcing because of the cap on the civilian workforce? (The Army has testified that service contracting costs increased when the imposition of the cap on the civilian workforce all but killed off insourcing.) Will the imposition of arbitrary cuts in civilian employees make it even more difficult to use insourcing to save money and reassert public control over important and sensitive functions?

Ms. FARRELL. While we have not issued any work on the civilian workforce cap to date, in February 2012 we reported[26] that DOD stated in its fiscal year 2010

[25] GAO, Defense Acquisitions: Further Actions Needed to Improve Accountability for DOD's Inventory of Contracted Services, GAO–12–357 (Washington: D.C.: Apr. 6, 2012).

[26] GAO, Defense Workforce: DOD Needs to Better Oversee In-sourcing Data and Align Insourcing Efforts with Strategic Workforce Plans, GAO–12–319 (Washington, D.C.: Feb. 9, 2012).

budget submission to Congress that it expected to save $900 million in fiscal year 2010 from in-sourcing. In August 2010, the Secretary of Defense stated he was not satisfied with the Department's progress in reducing its over-reliance on contractors. Also, representatives from the Offices of the Under Secretary of Defense (Personnel and Readiness) and the Under Secretary of Defense (Comptroller) told us that DOD avoided some contracted support services costs due to the budget decision associated with in-sourcing, although total spending across all categories of service contracts increased in fiscal year 2010 by about $4.1 billion. To accelerate the process and achieve additional savings, the Secretary directed a 3-year reduction in funding for service support contracts categorized by DOD as contracted support services. He also directed a 3-year freeze on the level of DOD civilian authorizations at OSD, the defense agencies, and the Combatant Commands, and stated that with regard to in-sourcing, no full-time OSD civilian authorizations would be created after the then-current fiscal year to replace contractors, except for urgent needs. We also noted that the statutory requirement to regularly consider in-sourcing contracted services remains in effect, and DOD officials told us that, accordingly, in-sourcing continues in the Department, though on a more limited basis.

Our report also found that—under DOD's policy for determining the appropriate mix of military and DOD civilians and contractor support—risk mitigation shall take precedence over cost savings when necessary to maintain appropriate control of Government operations and missions. This policy provides manpower mix criteria for assessing which functions warrant performance by military or civilian personnel due to their associated risks, and which functions will therefore be considered exempt from performance by contractor support.

Ms. BORDALLO. How is the Senate's proposed arbitrary cut in funding for civilian personnel different from the sequestration that would result from the Budget Control Act? Aren't both arbitrary cuts in funding that would mindlessly eliminate defense industrial base jobs and undermine our economic recovery?

Ms. FARRELL. GAO has not conducted the work necessary to analyze the Senate's proposal or the impact of a sequestration.

Ms. BORDALLO. Section 341 includes "Section (d) Limitation on Transfers of Functions". Work performed by civilian employees is already being illegally directly converted to contractor performance because of the arbitrary caps the Department has imposed on the civilian workforce. Imposition of an additional arbitrary cut in the civilian workforce will surely exacerbate this problem. What impact if any will this "Limitation on Transfer of Functions" language have in stopping illegal direct conversions caused by arbitrary constraints and cuts in the civilian workforce? Will this language prevent the Department from insourcing work for cost reasons, even if in-house performance would be cheaper?

Ms. FARRELL. We have not assessed the implications of implementing Section 341 of S. 3254, a bill for the National Defense Authorization Act for Fiscal Year 2013 that was reported out of the Senate Armed Services Committee in June 2012. The proposed bill has been placed on the Senate Legislative Calendar, but no further action has been taken.

QUESTIONS SUBMITTED BY MR. LOEBSACK

Mr. LOEBSACK. In their version of the FY13 National Defense Authorization Act, the Senate Armed Services Committee attempted to protect some elements of the industrial base from the civilian personnel cuts mandated in their bill, but failed to include organic manufacturing facilities such as Army arsenals. What assurances can you provide that DOD leadership will protect the remaining Army arsenals from cuts that would undermine essential capabilities and reduce efficiency? Would the Department have the ability to base decisions regarding the reductions required by the Senate Armed Services Committee's bill on readiness and critical skills and capabilities or would the Department have to make across-the-board cuts across facilities and DOD offices? How would those critical skills and capabilities be determined?

Mr. VOLLRATH. The Department has not done an assessment based on the SASC NDAA provision requiring reductions to civilian and contractor workforces. The DOD will determine how best to implement any reductions included in the 2013 National Defense Authorization Act.

Mr. LOEBSACK. If the Senate Armed Services Committee's proposed reductions were enacted, would they be carried out in addition to the cap on the civilian workforce and reductions that have already been announced by the Department? Or would the already announced caps and reductions be applied to meet the cuts mandated by the Senate Armed Services Committee?

Mr. VOLLRATH. The Department has not undertaken any planning specific to section 341, as contained in the Senate Armed Services Committee mark-up of the Fiscal Year 2013 National Defense Authorization Act. The Department does not have a cap on its civilian workforce. As part of its budget building process for the past few years, the Department has directed that components use Fiscal Year 2010 civilian levels as a departure point for prioritizing and shaping its workforce in an effort to make sure resources are applied to our most compelling needs. DOD organizations may, and have, by exception exceeded their Fiscal Year 2010 civilian workforce levels as needed to meet mission and workload requirements. If the section 341 were to be enacted as proposed and became public law, it would require reductions in the civilian workforce from Fiscal Year 2012 to Fiscal Year 2017. The current budget request includes estimated Fiscal Year 2012 levels that reflect reductions taken as a result of efficiencies in Fiscal Years 2010, 2011, and 2012. This includes the direction to maintain 2010 civilian levels with exceptions.

Mr. LOEBSACK. How does DOD determine what the right mix of military, civilian, and contractor personnel is? What analysis is performed to ensure that it is the right mix and how does the Department determine what work is done by each group? In addition, when reductions in one area are made, is it determined whether the work being done by that group will have to be transferred to another group? If so, is a cost-benefit analysis performed to determine whether the reduction will actually result in cost savings?

Mr. VOLLRATH. The Strategic Workforce Planning construct of functional communities and mission-critical occupations; the inherently governmental and commercial activities inventory; the inventory of contracts for services; and force and infrastructure classifications are among the tools and processes used to determine appropriate workforce mix. Departmental guidance on manpower management is intended to ensure that Components apply the best workforce mix (military, civilian, or contract support) to missions, tasks, and functions; and requires associated risk mitigation and consideration of costs. Reductions in elements of the Department's Total Force of military, civilian, and contract support is based on a change in mission and associated reduction in workload, or an outright elimination of lower priority functions. If warranted, workload may be realigned from one sector of the workforce to another consistent with existing statutory and legislative requirements, as well as Departmental policies. These adjustments require that unless otherwise justified by mission or nature of work (e.g., inherently governmental, critical to mission readiness, maintain Government oversight and control), a cost benefit analysis must justify workload realignment. In all cases, under currently enacted laws, the realignment of workload from civilian to contract performance is currently prohibited regardless of any potential cost benefit.

QUESTIONS SUBMITTED BY MS. HANABUSA

Ms. HANABUSA. In page five of your testimony, you say that "Changes in the civilian workforce must be done in a way that preserves mission essential skills and abilities over the long term." In regards to this statement I have some questions:

What constitutes how you determine "mission essential"?

Specific example, would maintenance on a *Virginia* class submarine be essential? How would this be preserved during cuts to the workforce? During sequestration?

Mr. VOLLRATH. Mission essentiality will vary dependent on each organization's missions, tasks, and functions. Moreover, work, tasks, and functions (and associated skills) essential to mission success in the Navy will differ from those in the other military services or those in Defense-wide agencies or activities, such as DOD Education Activity or the TRICARE Management Activity.

In the specific example of *Virginia* class submarine maintenance, the Naval shipyard mission is to accomplish maintenance on ships and submarines, ensuring operational readiness by returning them back to the fleet on time, within budget, safely and with high quality workmanship. In order to sustain readiness, the Department of the Navy will balance essential requirements with available resources.

Ms. HANABUSA. In your testimony, when asked if your workforce management plan was based on the "best guess" of DOD, you stated that the plan was data driven. Yet, Mr. Vollrath stated repeatedly at the hearing that their gap analysis was incomplete, and you yourself stated that DOD has not progressed on a competent gap analysis. If this is the case, then what specific data are you using to plan?

Ms. FARRELL. At this time, we have work underway reviewing DOD's mandated 2010–2018 Strategic Workforce Plan. The results of our review will be released in September 2012. GAO's assessments are based on the data that DOD provides to

us related to how the Department developed its own plan. We found[27] in a September 2010 report that DOD's workforce plans to date had mixed results. In that report, which assessed DOD's 2009 plan, we found that DOD had demonstrated some progress in addressing the legislative requirements related to its Civilian Human Capital Strategic Workforce Plan, but several key elements continued to be missing from the process—including such elements as competency gap analyses and monitoring of progress. Competency gap analyses enable an agency to develop specific strategies to address workforce needs and monitoring progress demonstrates the contribution of workforce planning to the achievement of program goals. For example, at the time of our review, because the plan discussed competency gap analyses for only 3 of the 22 mission-critical occupations and did not discuss competency gaps for the other 19 mission-critical occupations, we determined that the requirement was only partially addressed.

QUESTIONS SUBMITTED BY MS. SPEIER

Ms. SPEIER. What data does the Government need to make accurate assessments of the costs of the Federal civilian versus the Federal contractor workforce? Please also specify whether this data should or should not include: costs of whether the work is performed on Government property; the total amount billed by contractors for the services provided; the total amount billed that is attributable to overhead costs of the contractor and of subcontractors of the contractor at any tier, and the percentage of total billing that is attributable to such overhead costs; the total costs to the Government if the services had been performed by Government employees, in accordance with Department of Defense cost-comparisons models, pursuant to section 129a(a) of Section 2330a of title 10; and the number of employees used by the prime contractor and by subcontractors of the contractor at any tier.

Mr. VOLLRATH. Comparisons of costs to perform work can be influenced by any number of criteria and factors. The Department recognizes that numerous studies have been conducted both inside and outside of the Government related to such comparisons and what criteria are most appropriate. The data elements specified in the question can, in some instances, be useful to make an accurate cost comparison. There may be instances, based on other variables, where these elements may not be determined necessary for well-reasoned comparison. The Department is working with the Office of Management and Budget (OMB) on its effort to develop guidance and tools, including cost comparisons, to help agencies determine where rebalancing of work can save money.

Ms. SPEIER. What do you attribute the disparity among our forces in implementation of effective cost analysis modeling? Do you believe that the approach the Army has taken would work for the other forces? How long would it take to implement across the Department?

Mr. VOLLRATH. The Department has had a standardized set of business rules in place since January 2010 regarding the estimating of military, civilian, and contracted support performance of functions. A complementary cost modeling software solution has been under development, is undergoing final beta testing, and will soon be available Department-wide. The fielding of this software, and updated guidance that incorporates best practices and lessons learned from Department-wide cost analysis experiences, will ensure a more standardized implementation.

Ms. SPEIER. What are DOD's current requirements for implementing effective cost analysis modeling to compare the costs of service, Federal, and contractor employees? What efforts does DOD have in place to improve these cost analyses? Are any of these improvements also seeking consistent cost modeling?

Mr. VOLLRATH. The Department's requirements are contained within Directive Type Memorandum (DTM) 09–007, Estimating & Comparing the Full Costs of Civilian & Military Manpower & Contract Support. The policies and requirements contained within this DTM are currently being institutionalized in a DOD Instruction that incorporates lessons learned and best practices. To support this issuance, the Department is also preparing to field a costing software solution, the Full Cost of Manpower Tool, which is currently under final beta testing.

Ms. SPEIER. What data does the Government need to make accurate assessments of the costs of the Federal civilian versus the Federal contractor workforce? Please also specify whether this data should or should not include: costs of whether the work is performed on Government property; the total amount billed by contractors for the services provided; the total amount billed that is attributable to overhead costs of the contractor and of subcontractors of the contractor at any tier, and the

[27] GAO–10–814R.

percentage of total billing that is attributable to such overhead costs; the total costs to the Government if the services had been performed by Government employees, in accordance with Department of Defense cost-comparisons models, pursuant to section 129a(a) of Section 2330a of title 10; and the number of employees used by the prime contractor and by subcontractors of the contractor at any tier.

Ms. FARRELL. The executive branch encourages Federal agencies to obtain commercially available services from the private sector when doing so is cost effective and when the work is not inherently governmental. To make accurate assessments of the costs of the Federal civilian versus the Federal contractor workforce, it is important to have reliable and accurate data. The Office of Management and Budget's Circular A–76 provides agency management with a structured process for comparing the public and private sector approaches and costs of performing commercial activities.

Although we have not conducted work that addresses all of the costs in the question, we have issued reports on the costs and other issues related to civilian- and contractor-performed work. For example, in March 2008, we reported that the Army Contracting Agency's Contracting Center of Excellence paid up to almost 27 percent more for its contractor-provided contract specialists than for similarly graded Government employees but that the contractor employees had on average more contracting experience than the recent Government hires.[28] We considered a variety of costs, including overhead and whether the work was performed on Government property. In March 2010, we reported that for three of the four task orders awarded by the State Department for security in Iraq that we examined, the cost of using Federal employees would be greater than using contractors.[29] We considered a range of costs and estimated the total cost to the Government if the work had been performed by a Federal employee or contractor. In addition, in September 2011, we assessed DOD's review of various aspects of its public-private competition policies and found that the Department's review met statutory reporting requirements on public-private competitions.[30] We reiterated our prior finding that the overhead rate used in the costs comparisons did not have a sound analytical basis, which leaves some uncertainty about whether that rate may be understated or overstated for any given public-private competition.

More generally, we reported that in making the decision to use contractors, agencies have experienced challenges such as: determining which functions and activities should be contracted out and which should not to ensure institutional capacity; developing a total workforce strategy to address the extent of contractor use and the appropriate mix of contractor and Government personnel; identifying and distinguishing the roles and responsibilities of contractors and civilian and military personnel; and ensuring appropriate oversight, including addressing risks, ethics concerns, and surveillance needs.[31]

Ms. SPEIER. What do you attribute the disparity among our forces in implementation of effective cost analysis modeling? Do you believe that the approach the Army has taken would work for the other forces? How long would it take to implement across the Department?

Ms. FARRELL. GAO has not conducted the work necessary to respond to this question.

Ms. SPEIER. What are DOD's current requirements for implementing effective cost analysis modeling to compare the costs of service, Federal, and contractor employees? What efforts does DOD have in place to improve these cost analyses? Are any of these improvements also seeking consistent cost modeling?

Ms. FARRELL. GAO has not conducted the work necessary to respond to this question.

QUESTIONS SUBMITTED BY MR. SCHILLING

Mr. SCHILLING. What are the workforce requirements that the U.S. needs in order to ensure there is not a single point of failure in our defense manufacturing capabilities?

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[28] GAO, Defense Contracting: Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists, GAO–08–360 (Washington, D.C.: Mar. 26, 2008).

[29] GAO, Warfighter Support: A Cost Comparison of Using State Department Employees versus Contractors for Security Services in Iraq. GAO–10–266R (Washington, D.C.: Mar. 4, 2010).

[30] GAO, DOD Met Statutory Reporting Requirements on Public-Private Competitions, GAO–11–923R (Washington, D.C.: Mar. 4, 2010).

[31] GAO, Defense Management: DOD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight, GAO–08–572T (Washington, D.C.: Mar. 11, 2008).

Mr. VOLLRATH. The Department successfully maintains and manages, within acceptable and manageable risk levels, our defense manufacturing capabilities. Given the future outlook of defense requirements, it is likely the Department will see a further contraction and consolidation of commercial and organic manufacturing. In order to mitigate risk, a Government workforce of highly trained personnel in armaments and ammunition manufacturing, among other things, is essential. Such a workforce is increasingly relevant if more production is privatized. A highly skilled workforce, which captures historic knowledge, will help ensure continuity of operations.

Mr. SCHILLING. In your strategic plan you mentioned the need for a highly skilled civilian workforce. Does this include the organic manufacturing base?

Mr. VOLLRATH. The DOD Strategic Workforce Plan (SWP) focuses on mission-critical occupations at the enterprise level. In addition, the next iteration SWP that is currently under development will also assess overall workforce health of each DOD functional community, including occupations supporting logistics and manufacturing work, through functional community managers at the Office of the Secretary of Defense, Military Departments and Defense Agencies. The organic manufacturing base does require a highly skilled civilian workforce to maintain continuity of operations and strategically plan for the future of the Department. For example, the ammunition supplied by the organic industrial base is critical to meeting the needs of the warfighter and requires highly skilled scientists, engineers, and acquisition professionals who have knowledge in armaments manufacturing. Maintaining a highly skilled civilian workforce to manage the organic manufacturing base reduces the risk that critical processes and the lessons learned from their implementation are lost.

Mr. SCHILLING. How do you determine the definition of mission essential skills in the organic base, specifically arsenals?

Mr. VOLLRATH. Mission essential skills in the organic industrial base that are specific to arsenals should be determined based on the unique capabilities and/or processes performed by the individual arsenals. In the circumstance of the Army's three ammunition production arsenals (Pine Bluff Arsenal, Rock Island Arsenal and Watervliet Arsenal), the highly skilled scientists, engineers and acquisition professionals that are necessary to operate, maintain and manage the armaments manufacturing process have mission essential skills. Mission essential skills at these locations may include knowledge of chemical/biological defense production and repair, knowledge of prototyping and manufacturing, integration, testing and logistics, as well as procurement and product assurance for cannons, howitzers, mortars, and associated armaments for weapon systems.

Mr. SCHILLING. What are the workforce requirements that the U.S. needs in order to ensure there is not a single point of failure in our defense manufacturing capabilities?

Ms. FARRELL. GAO has reported on the challenges that DOD faces in managing the defense industrial base, but has not specifically reviewed the workforce requirements for maintaining defense manufacturing capabilities.[32] DOD, through its Annual Industrial Capabilities Report to Congress, reports on the health of various defense sectors, including the extent to which they face workforce challenges. For example, in the most recent report in September 2011, DOD cited concerns about the challenges faced by the aviation industry with an aging workforce and a decreased likelihood that a younger engineering workforce will remain in the industry due to the lack of new challenges and interesting things to do. Based on this, DOD recommended that adequate funding be identified to encourage innovation and to mitigate risk taking through company sponsored independent research and development activities. It also identified a growing need to address shortages in specific critical-skill sets, such as structural analysis, systems integration, and other critical military unique skills. The report also cites that efforts are underway through the current administration, private industry, and DOD programs to revitalize the U.S. Science, Technology, Engineering and Mathematics education, but does not specifically identify those efforts. In addition, DOD's Office of Under Secretary of Defense for Acquisition, Technology and Logistics, Office of Manufacturing and Industrial Base Policy is conducting a comprehensive sector by sector study of U.S. industry to guide the Department in sustaining the health, vibrancy, and efficiency of the industrial base, which may identify additional workforce challenges.

[32] GAO, DOD Assessments of Supplier-Base Availability for Future Defense Needs, GAO–10–317R (Washington, D.C.: Jan. 27, 2010) and Department of Defense: A Departmentwide Framework to Identify and Report Gaps in the Defense Supplier Base Is Needed, GAO–09–5 (Washington, D.C.: Oct. 7, 2008).

Mr. SCHILLING. Do you believe that arsenals are being included as they should be in the workforce requirements of DOD?

Ms. FARRELL. Since 2008, we have reviewed DOD's Strategic Human Capital Workforce Plans.[33] Our reviews of those plans have found that DOD addressed the requirement to assess its critical skills. More specifically, the overall civilian workforce plan identified 22 mission-critical occupations,[34] which according to DOD represent the Department's assessment of critical skills. Given that each agency has its own set of unique challenges and its own approach for handling those challenges, we believe that the Department is in the best position to determine its critical skills and which segments of its workforce should be included as part of its determination of critical skills.

[33] GAO–10–814R; GAO–09–235; and GAO–08–439R.

[34] DOD has identified 24 enterprisewide mission-critical occupations; 22 of these occupations are associated specifically with the overall civilian workforce and are discussed in the strategic workforce plan, while the remaining 2 are acquisition-related occupations—contracting and quality assurance—and are discussed in the Defense Acquisition Workforce Improvement Strategy (published as a separate report).